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PART VII.

FURTHER CORRESPONDENCE

RESPECTING THE

FINANCES OF TURKEY.

1886.

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Further Correspondence respecting the Finances of Turkey.

Part VII.

No. 1.

Mr. Bouverie to the Marquis of Salisbury.—(*Received January* 1, 1886.)

Manor House, Market Lavington, Wilts., December 29, 1885.

(Private.)

My dear Salisbury,

I INCLOSE herewith a copy of a letter which Mr. Caillard has quite recently addressed to the Grand Vizier and the Porte respecting the troublesome question, which there seems to be some opportunity of solving at the present juncture in the East, viz., the contributive parts of the Ottoman Debt due by the Balkan States under the Berlin Treaty.

If the tributes of Bulgaria and Eastern Roumelia can be converted into stocks of those States respectively, and the same course pursued respecting the contributive parts of Bulgaria, Servia, Greece, and Montenegro, these amounts could be fixed by a Declaration of the Powers met in Conference, and they would form part of the financial resources of the Porte now assigned, under the Iradé of 1882, to the creditors of Turkey, to be turned to what account can be made of them by the Council of Administration of the Debt.

I am, &c.

(Signed) E. P. BOUVERIE.

Inclosure in No. 1.

Mr. Caillard to Kiamil Pasha.

Constantinople, le 3 (15) *Décembre*, 1885.

Altesse,

L'ASPECT que prend la situation politique autorisant de jour en jour l'espoir d'un prochain dénouement de la crise Bulgare, et le Gouvernement Impérial ayant sans doute l'intention de sauvegarder ses intérêts et ceux de ses creanciers, qui sont, en effet, identiques, en insistant sur le paiement du tribut Bulgare, de la quote-part de la Dette Publique afférente à la Principauté, ainsi que de la redevance fixe de la Roumélie-Orientale, je prends la liberté d'attirer la plus sérieuse attention de votre Altesse sur les considérations suivantes.

Il ressort clairement, de la manière dont la Bulgarie a su éluder l'exécution des obligations financières qui lui ont été imposées par le Traité de Berlin, qu'aucune valeur positive ne saurait être dorénavant attribuée aux engagements et aux promesses que la Principauté pourrait être amenée à souscrire sur le papier. N'ayant pas payé de fait, jusqu'à présent, un para de son tribut, ni de sa part contributive dans la Dette Publique Ottomane, rien ne permet de supposer qu'elle aurait plus de respect que par le passé pour ses obligations, quelles que soient la forme et les conditions du contrat nouveau auquel elle attacherait sa signature. Quand même la

Bulgarie se déciderait à faire des paiements réguliers pendant deux ou trois ans, il est au moins à craindre qu'au bout de ce temps elle pourrait les suspendre, et la Sublime Porte a déjà éprouvé combien il serait difficile de la ramener à l'observation de ses engagements financiers.

Pour éviter de pareils mécomptes et les complications politiques qui s'ensuivraient, je me permets de suggérer à votre Altesse un expédient que je considère comme très avantageux : ce serait d'exiger le paiement du tribut de la Bulgarie et de sa part contributive, ainsi que de la redevance fixe de la Roumélie-Orientale, le tout en capital et en une fois, non plus sous forme d'annuités.

Je n'aborderai pas l'examen du chiffre qui devrait être fixé comme tribut, la question n'étant pas de ma compétence.

Quant à la part contributive à la dette, je crois pouvoir me servir, comme base de discussion, de chiffres qui ont été fournis à mon prédécesseur, et suivant lesquelles la Bulgarie devrait au Trésor Impérial une somme en capital nominal de £ T. 10,888,528, ce qui représente, à 1 pour cent l'an, un paiement annuel de £ T. 108,885.

C'est donc la somme de £ T. 108,885 qu'il y aurait lieu de capitaliser. Supposons que le taux moyen d'intérêt pour la négociation des placements en fonds d'État soit, en Europe, de 4 pour cent. Rappelons aussi que la Dette Publique Ottomane est censée être complètement remboursée en 100 ans ; que, par conséquent, la Principauté de Bulgarie n'aurait plus rien à payer, comme part contributive, à l'expiration de ce terme. Cela revient à dire que le capital à obtenir devrait représenter une annuité à 4 pour cent, amortissable en 100 ans. Dans ces conditions, la somme nécessaire pour remplacer un paiement annuel de £ T. 108,885 serait de £ T. 2,667,240.

Telle étant la somme dont la Bulgarie aurait à faire emprunt, et si l'on admet qu'elle ne puisse pas se la procurer à de meilleures conditions qu'un intérêt de 6 pour cent par an, avec un terme d'amortissement de vingt-cinq ans, la dépense annuelle à supporter par la Principauté serait de £ T. 208,650.

J'ai déjà indiqué ce que la Turquie gagnerait à cette manière de procéder. La Bulgarie elle-même y trouverait des avantages suffisants pour entraîner son adhésion.

En effet, si, théoriquement parlant, la Principauté est tenue de modeler ses paiements annuels du chef de sa part contributive sur ceux de l'Administration Ottomane de la Dette, elle doit verser à celle-ci, la première année par exemple, à raison de 1 pour cent, £ T. 108,885 ; l'an prochain, peut-être, l'équivalent de $1\frac{1}{4}$, soit £ T. 136,106 ; et successivement, la proportion s'élevant avec la progression probable des revenus concédés jusqu'à 5 pour cent, ce qui demanderait une annuité de £ T. 544,425 De plus, elle ne serait jamais fixée à l'avance sur la somme qu'elle devrait inscrire dans son Budget.

Pour éviter les risques d'un aléa qui se produirait chaque année pendant tout un siècle, évaluons, pour ne rien exagérer, l'annuité moyenne à servir à 2 pour cent. La Bulgarie aurait donc, pour sa part, dans la Dette Ottomane, à payer annuellement £ T. 217,770, et cela pendant 100 ans.

Il est évident qu'elle préférerait l'engagement de payer une somme annuelle de £ T. 208,650 durant une période de vingt-cinq années seulement.

Je n'entre pas ici, je le répète, dans la question de capitalisation du tribut de la Bulgarie et de la redevance fixe de la Roumélie-Orientale, bien que cet objet soit d'une importance très grande ; mais ces questions sont réservées à l'attention et à la compétence du Gouvernement Impérial. Si l'on traitait les autres États sur le même pied que la Bulgarie quant aux parts contributives il en résulterait :—

Grèce.

Annuité de £ T. 23,439, à 4 pour cent d'intérêt, et amortissement en 100 ans, représente un capital de £ T. 574,373, dont l'amortissement en vingt-cinq ans, à 6 pour cent d'intérêt, nécessiterait une annuité de £ T. 44,931.

Serbie.

Annuité de £. T. 23,182, aux mêmes taux et terme d'amortissement, donnant un capital de £ T. 568,075, dont l'amortissement en vingt-cinq ans, à 6 pour cent, exigerait une annuité de £ T. 44,538.

Monténégro.

Annuité de £ T. 1,088, mêmes conditions, soit un capital de £ T. 26,659, exigeant pour être amorti, toujours en vingt-cinq ans, £ T. 2,085.

Résumé.

Récapitulant et résumant les données ci-dessus, nous aurions :—

États.	Parts contributives. Capital réduit.	Intérêt d'un pour cent sur Capital nominal.	Capitalisation de l'intérêt ci-contre 4 pour cent avec amortissement, en 100 ans.	Intérêt à 6 pour cent et amortissement en 25 ans des montants capitalisés ci-contre.	Intérêt moyen à 2 pour cent, exigible sur Capital nominal pendant 100 ans.
	£	£	£	£	£
Bulgarie	10,888,528	108,885	2,667,240	208,650	217,770
Grèce	2,343,960	23,939	574,373	44,931	47,878
Serbie	2,318,202	23,182	568,075	44,538	46,364
Monténégro ..	108,884	1,088	26,659	2,085	2,176
Total ..	15,659,574	157,094	3,836,347	300,204	314,188

L'avantage du Gouvernement Ottoman dans ces combinaisons sera de se trouver en possession immédiate d'une somme de £ T. 3,836,347, qui permettra, par emploi sage et raisonné, étendu à plusieurs années, de réduire la dette d'environ de £ T. 19,000,000, au lieu de rester sous le coup des éventualités dont peut être l'objet une annuité à servir pendant un si long nombre d'années.

Quant aux États, l'opération est non moins avantageuse parce qu'elle leur permet de se libérer dans un terme de vingt-cinq ans, avec une annuité quelque peu réduite de celle qu'ils devraient payer pendant 100 ans, équivalent à la moyenne des intérêts minima et maxima du Décret (1 à 5 pour cent), soit 2 pour cent.

J'ose espérer que ces détails, que je prends la liberté de recommander à l'attention de votre Altesse, ne seront pas jugés superflus, étant donné leur actualité pressante, tout au moins en ce qui concerne la Bulgarie. Ma conviction est que l'adoption par le Gouvernement Impérial de l'idée qu'ils développent rendrait un véritable et signalé service au Trésor comme au crédit Ottoman.

J'ai, &c.
(Signé) VINCENT CAILLARD.

No. 2.

Mr. Swaffield to the Marquis of Salisbury.—(*Received January* 1, 1886.)

5, *Queen Street Place, Upper Thames Street, London,*
December 31, 1885.

My Lord Marquis,

I TAKE the liberty of informing you that our representative on the Council of the Ottoman Debt, Mr. Vincent Caillard, has recently addressed a Memorial to the Grand Vizier, proposing a scheme for dealing with the share of the Ottoman Debt to be borne by Bulgaria. His proposal is, that a demand shall be made on Bulgaria for a lump sum in settlement not only of her share of the debt, but also of the Bulgarian and Eastern Roumelian tributes.

He likewise recommends that the shares of the debt to be borne by Servia, Greece, and Montenegro be dealt with in the same manner. I beg to say that the scheme proposed by Mr. Caillard has the full approval of this Committee and, I think I may say, of the Turkish bondholders generally.

Whilst I was at Constantinople, a few weeks ago, I had an audience of the Grand Vizier, and interviews with his Excellency Sir William White, Mr. Caillard, and others, and I found that it was the general opinion that it only required your Lordship's firm support to bring about a settlement of this long-pending and vexed question.

Earnestly asking the favour of your Lordship's help at this juncture, I remain, &c.

(Signed) H. SWAFFIELD, *Chairman of the Committee of Turkish Bondholders* (1858 *and* 1862 *Loans*).

No. 3.

Sir W. White to the Marquis of Salisbury.—(*Received January* 4, 1886.)

(No. 588.)
Constantinople, December 18, 1885.

My Lord,

WITH reference to your Lordship's despatch No. 436 of the 19th ultimo, I have the honour to inclose copy of a Memorandum which has been presented by Mr. Vincent Caillard, the English representative here of the foreign bondholders, to the Grand Vizier, suggesting a scheme for capitalizing not only the annual sums due by Bulgaria, Greece, Servia, and Montenegro, as their respective shares of the Ottoman Debt, but also the tribute due by Bulgaria and Eastern Roumelia.*

I venture to add that I fully concur in the view expressed by your Lordship in Sir Julian Pauncefote's letter to Mr. Guedalla, that it would be premature at the present time to bring forward these financial questions.

I have, &c.
(Signed) W. A. WHITE.

No. 4.

Sir J. Pauncefote to Mr. Bouverie.

Foreign Office, January 5, 1886.

Sir,

I AM directed by the Marquis of Salisbury to acknowledge the receipt of your letter of the 29th ultimo, inclosing copy of a communication recently addressed to the Turkish Government by Mr. Vincent Caillard, proposing a scheme for dealing with the question of the Bulgarian and Eastern Roumelian tributes, and of the share of the Ottoman Debt to be borne by the Principality.

I am to inform you that the attention of Her Majesty's Minister at Constantinople will be called to this scheme with reference to the instructions sent to him on the 10th November, of which you were informed in the letter from this Department of the 7th of that month.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 5.

Sir J. Pauncefote to Mr. Swaffield.

Foreign Office, January 5, 1886.

Sir,

I AM directed by the Marquis of Salisbury to acknowledge the receipt of your letter of the 31st ultimo relative to a communication recently addressed by Mr. Vincent Caillard to the Grand Vizier, proposing a scheme for dealing with the question of the Bulgarian and Eastern Roumelian tributes and the share of the Ottoman Debt to be borne by the Principality.

I am to state that a copy of your letter will be forwarded to Her Majesty's Minister at Constantinople, who has already been instructed to bear the matter in mind, and to take the first favourable opportunity that may present itself of bringing it forward.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 6.

The Marquis of Salisbury to Sir W. White.

(No. 3.)
Foreign Office, January 6, 1886.

Sir,

WITH reference to my despatch No. 415 of the 10th November, I transmit to you herewith a copy of a further letter which I have received from Mr. Bouverie, relative to the proposal recently submitted to the Turkish Government by Mr. V. Caillard for dealing

* Inclosure in No. 1.

with the question of the Bulgarian and Eastern Roumelian tributes, and of the share of the Ottoman Debt to be borne by the Principality.*

I also transmit a copy of a letter from Mr. Swaffield on the same subject, together with copies of the replies which have been returned to both those gentlemen.†

I have to request that you will bear this correspondence in mind in any steps that you may take in the matter.

I am, &c.
(Signed) SALISBURY.

P.S.—Mr. Caillard's Memorandum is the same as that inclosed in your despatch No. 588 of the 18th ultimo, the contents of which have been duly noted.

S.

No. 7.

Sir W. White to the Marquis of Salisbury.—(*Received January* 20.)

(No. 26. Confidential.)
Constantinople, January 16, 1886.

My Lord,

I HAVE the honour to state that I recently requested Mr. Vincent Caillard, British representative here of the Committee of Foreign Bondholders, to furnish me with some observations on the Convention signed between the Sublime Porte and Baron Hirsch for the issue by the latter of the loan of 1,000,000*l*. Mr. Caillard has given me an able and critical Memorandum upon the details of the Convention, dealing with the question at much greater length than I had intended. I venture, nevertheless, to transmit it *in extenso* to your Lordship, as it exposes in a very lucid manner the moral and political blindness with which the Porte appears to be afflicted in dealing with this and similar questions vitally affecting its own important interests.

I have, &c.
(Signed) W. A. WHITE.

Inclosure in No. 7.

Memorandum by Mr. Caillard on the Loan contracted from Baron Hirsch by the Turkish Government, under a Convention signed December 22, 1885.

SEEING that the dealings between Baron Hirsch and the Turkish Gouernment have been so far productive only of a huge fortune to the former, whereas not only has Turkey derived no profit from the existing railways, but has found them a decided disadvantage owing to the miserably but purposely defective administration, and the deliberate double-dealing, of M. de Hirsch, it might be supposed that by this time Ottoman eyes would have been sufficiently open to have perceived and avoided the series of traps set in the Convention under which the present loan was contracted. Indeed, many of these traps had been indicated to the Porte before the contract was signed. It therefore seems incredible to any one not aware of Baron Hirsch's peculiarly Oriental methods that the Government should have knowingly accepted terms whose whole purport is so patently to its own disadvantage.

I propose to deal only with the principal defects which, where all is bad, start out prominently into relief from the body of the Convention. To point out every detail which should have been rectified before the Imperial signature should have been attached would demand a long and voluminous Report.

Speaking from a political point of view, the permission accorded to Baron Hirsch in Article III of the Convention to issue bonds to cover the amount of the loan might, in the future, prove to be of great importance. The safeguard which the Porte imagined it had set up, viz., that the bonds should be issued on account, and under the guarantee, of Baron Hirsch's Company, is rendered quite illusory by the last clause of the same Article, which obliges the whole of Article III to be reproduced *in extenso* on the bonds. It must be remembered that it is of high importance to Austria that the European Turkish railways should remain in the hands of an

* No. 1.

† Nos. 2, 4, and 5.

Austrian Company. It is equally important to Turkey (although this point has been quite given up in the Convention under notice) that the domicile of that Company should be Ottoman, otherwise she can never have real command over her own railways. Yet the result of Article III might probably be this: Baron Hirsch may issue bonds to bearer, which will be taken up entirely by the Austrian Government. When the propitious moment shall arrive, some opportunity may be created, such as default of payment of a coupon. The Austrian Government may then, on the authority of Article III, demand payment from the Turkish Government, and, in addition, an official control of its own of the administration of the lines. The Porte may reply that it has no direct concern in the matter since the bonds were issued under the guarantee of Baron Hirsch's Company. But this answer would not be taken as sufficient, indeed, would not, I think, legally be so. For, by the terms of Article III, the interest on the advance made by the Company, an advance authorized by the Imperial Government to be covered by the issue of bonds, is guaranteed by that portion of the receipts *accruing to the Imperial Government* from the working of the lines. The bonds are to bearer, and it is to this guarantee, inscribed on the face of the bond, that the bearer would have the right to look. Here is at least the foundation of a very pretty political question, especially when it is remembered that Austria has already been so far as to threaten an armed demonstration on the question of the construction of the junction lines.

Taking now Article I in conjunction with Article VI, and considering the amount of the loan agreed upon under the conditions laid down in these two Articles, it is clear that, although the Government has 23,000,000 fr. cash placed at its disposal, not only does Baron Hirsch practically lend them nothing out of pocket, but he is a very considerable gainer by the operation. It may be conceded that that would be of no great importance if the Government were at the same time to gain corresponding advantages. But, as will be shown lower down, the Government is the loser.

The deposit mentioned in Article VI, and whose restitution is a condition antecedent to the payment of the loan, was a sum of 25,000,000 fr. placed, on the 7th May, 1873, in the hands of the Ottoman Bank and the "Banque de Paris et des Pays-Bas," on account of the Imperial Government, as a security for the "good construction" of the existing lines. As is perfectly well known, and this point will again be referred to lower down, the lines have never really been completed, and are now in such a state as to be quite unfit to support any traffic of importance. This was one of the points to be submitted to the famous arbitration between the Government and Baron Hirsch, of which so much was heard a short time ago when Said Pasha was Grand Vizier. Until the point was settled the Government had the right, indeed it was its clear duty, to retain this deposit; and thus, whilst upholding the principle, keep also a material hold over Baron Hirsch. A few months after the deposit was effected Baron Hirsch, by means of certain transactions into which it is not necessary here to enter, recovered, without the consent of the Government, 8,000,000 fr., which had been deposited with the "Banque de Paris et des Pays-Bas." The remaining 17,000,000 fr. were held by the Ottoman Bank (really responsible for the whole), which steadily refused either to let them go or, after the Government had entered a formal opposition, pay the coupons of the bonds in which the deposit was made (at first Turkish Lottery bonds, subsequently French Rentes). In passing it must be noticed that the 17,000,000 fr. were further reduced by 6,000,000 fr. by the substitution of French Rentes for Turkish Lottery bonds, the latter having been taken by Baron Hirsch at their market, instead of their nominal, value. All these were further points to have been submitted to arbitration. The Government has now given them all up, and by so doing not only ceded great moral and material advantages, but has positively furnished Baron Hirsch with the cash for the loan to be made to itself. And this is not all. Besides releasing the deposit, which was a bone of contention with Baron Hirsch, the Government now begins to pay interest on it—that is, interest on the so-called loan—at a rate of 7 per cent., and in thirty-one years will have repaid the whole in capital. Moreover, Baron Hirsch has the right to raise the amount of the loan out of other people's pockets by the issue of bonds, practically, as has been explained above, under the guarantee of the Government. The two cases—first, that in which he should avail himself of this right; or, secondly, that in which he should not—might, financially speaking, and leaving aside moral and political considerations, be stated thus: In the first case, the Government will have made a present of 1,000,000*l.* to Baron Hirsch, and guaranteed the interest on a loan which he will have raised to enable them to do so. In the second, they will have

supplied him with the cash which he pretends to lend them, guaranteed him interest on the cash thus supplied, and undertaken to repay him the whole amount in thirty-one years as if the loan had really come out of his pocket.

We now come to Articles II and IV, which set forth the manner in which Baron Hirsch is to be paid his interest, the contract price of working the lines, the minimum share in the profits accruing to the Government, and so forth. Here there are four principal points to be considered.

In the first place, even if it had been advantageous to the Government to farm out the administration of the whole of the lines at the price laid down, it had not the right to do so in so far as "les lignes à être exploitées" are concerned. It is stipulated in the Convention with the Company constructing the new junction lines, Articles V and VII, that the payment of interest and sinking fund on the amounts advanced by this Company is guaranteed in part by "la part revenant au Gouvernement Impérial *sur le produit net des recettes* de l'exploitation de ces lignes" (Article V)—*i.e.*, the lines in course of construction—and that "pour assurer le versement régulier de ces recettes, la Société aura le droit de faire contrôler les résultats des comptes annuels de l'exploitation" (Article VII). Thus the Government is precluded from farming out the administration of these parts of the lines at a fixed price, otherwise the above guarantee and control would become illusory. Moreover, the price of 7,000 fr. per kilometre is absurd. Baron Hirsch's system, so far, and there is no reason to suppose he will change it, has been to work the lines at the last extreme of cheap rates by starving administrative expenses and repairs, and arranging his tariffs in such a manner as to prohibit the transport of all freight which would necessitate expense in personnel or wear and tear, whilst his charges for such transport as he does admit are extravagant. His working expenses can never have gone above 5,000 fr. per kilometre; and assuming, as we have a right to do, that the same system will be continued, here is a clear gain to him of 2,000 fr. per kilometre per annum, an annual income of about 94,000*l.*, of which the Government sees nothing. The very fact that Baron Hirsch would only guarantee a minimum of 1,500 fr. to the Government ought to have opened their eyes to this fact; 1,500 fr. is to represent 45 per cent. of the total net profit, which should thus amount to approximately 3,300 fr., giving a total gross receipt of 10,300 fr. It may be taken as a pretty approximately accurate rule that the working expenses are, *in a properly worked line*, 50 per cent. of the gross receipts. This would bring out Baron Hirsch's expenses, if he works his lines properly, at approximately 5,150 fr. per kilometre; the Government might at least have inquired what was to become of other 1,850 fr.

Secondly, this guarantee on Baron Hirsch's part of 1,500 fr. per kilometre has hopelessly compromised the Government in regard to a most important point in the former Convention (1872), which was to have been submitted to arbitration. Under that Convention the Government was to have received from Baron Hirsch, on the completion of the lines specified, a "*redevance kilométrique*" of 8,000 fr. Baron Hirsch avoided the execution of this obligation by never completing the lines; the Government has accordingly never received a piastre of the rent due to it. It has, however, at various times threatened and insisted, and the question is supposed still to be reserved to arbitration. But Baron Hirsch's position is now entirely changed. Pointing to the new Convention, he can show how the Government now lay claim to a minimum of only 1,500 fr. per kilometre; the sum of 8,000 fr. per kilometre he will therefore plead, with great apparent reason, was unreasonable and inexecutable; he thus could not be held to pay it. It is more than probable that in arbitration this point would now go against the Government.

Thirdly, in the last paragraph but one of Article IV it is set forth that the stipulations of this Article should be substituted for those of the Convention of the 18th May, 1872, only in so far as the kilometric rent is concerned. This is, perhaps, the most foolish concession of any. According to the opinion of the best legal and other advisers of the Government, the latter might have considered this Convention, which under Baron Hirsch's treatment had proved most disadvantageous to it, to have lapsed, and might have, as it was strongly advised to do so, sequestrated the existing lines, and, simply evicting Baron Hirsch and his Company subject to a subsequent demand for damages (when the whole case for arbitration would have been brought forward), have taken the administration into its own hands. The grounds for this action were simple. The lines specified to be constructed in the original contract with Baron Hirsch included one, the Yambouli-Schoumla line, and another, the Sarambey-Mitrovitza line, which were to connect respectively the main Constantinople-Philippopoli line with that from Varna to Rustchuk, and the two main lines,

Constantinople-Philippopoli and Salonica-Mitrovitza, together. For reasons explained above, and others, Baron Hirsch never proceeded to construct these two branch lines, and the force of circumstances arising from the Russo-Turkish war has now rendered their construction impossible. Thus the Convention might be considered to have lapsed. The Government has, however, by this unfortunate paragraph, confirmed expressly the whole of the old Convention, with the exception of that part of it referring to the kilometric rent (in itself an unfortunate exception), and has thus set up all the old difficulties on a firmer foundation than ever.

Fourthly, Article 35 of the "Cahier des Charges" of the 18th May, 1872, is that which stipulates that all disputes in regard to the Convention of that "Cahier des Charges" shall be settled by arbitration. The Government has thus, in the present case, opened the door to all the same notorious difficulties and sharp practices created and employed by Baron Hirsch in the execution of the Convention of 1872.

Article V of the present Convention, although apparently an advantage to the Government, presents exactly the kind of opportunity so loved by Baron Hirsch for raising disputes which must be settled by arbitration, and which, until the settlement (which he has proved he can well avoid) take place, pours money into his pockets.

Returning again to Article VI, we find a stipulation that Hirsch's Company will be bound to execute repairs decided on by a Commission up to a value of 11,500,000 fr., the execution of this clause being further guaranteed by the "Banque de Paris et des Pays-Bas." The ensuing Article (VII) lays the Company under a more general engagement to execute all the necessary repairs, whatever the cost may amount to. This latter Article has, when applied to Baron Hirsch, no value whatever, since it necessarily depends on the *bona fides* of the Contracting Parties; it may thus be left out of consideration; by means of the Commission mentioned in Article VI, Hirsch will find any number of loopholes of escape.

As to Article VI there are several points which must be noted. In the first place, the amount guaranteed by Hirsch, a guarantee strengthened by that of the "Banque de Paris et des Pays-Bas," is much too small. There exists at the Ministry of Public Works an estimate by the Government Engineers, which sets the cost of the necessary repairs at a *minimum* of 20,000,000 fr. Independently of this estimate, another was made by the Engineers of the Company constructing the new junction lines, by which it is shown that to put the existing lines in working order would entail an expenditure of at least 30,000,000 fr. Baron Hirsch's 11,500,000 fr. is therefore certainly not more than half what is necessary. But is there any hope that he will expend even that? I think not. The fact that the execution of any repairs whatever depends upon the decision of a Commission composed as laid down in Article VI will probably prove to be fatal. It is not necessary to discuss what would be the opinion of the Commissioners chosen by Baron Hirsch. It is not even much use hoping that the Commissioners chosen by the Ottoman Government will be proof against the methods of persuasion so largely at Baron Hirsch's disposal. But, even supposing that they were, there remains the difficulty that there will almost certainly be an even division amongst the Commissioners, and that the final decision will remain to be taken by an Arbitrator whose nomination at all, seeing that he is to be named by the four Commissioners, is extremely doubtful, and whose impartiality, even if named, considering the conditions under which he would be so, would be at least questionable. Nevertheless, the Turkish Government will be held responsible that the lines be put in the condition, and that within the time, agreed to in the "Convention à Quatre," and here is another excuse for the intervention of Austria.

In regard to this point it must be noted that the clauses stipulating that the Report of the Commission is to be furnished within a year from the 22nd December, 1885, and that the repairs must be executed within six months of the handing in of the Report—clauses which accord a delay of eighteen months to Baron Hirsch—are contrary to the engagement assumed under the "Convention à Quatre" to have all the lines existing or to be constructed in thorough working order by the 1st October, 1886.

Finally, supposing all the above difficulties to have been surmounted, and Baron Hirsch to be ready to expend his 11,500,000 fr., the operation will probably cost him only one-tenth of this amount, for there is a further deposit with the Anglo-Austrian Bank, arising from moneys paid by the Government between the years 1869 and 1872, in execution of its guarantee of 14,000 fr. per kilometre, amounting now to 10,000,000 fr., but originally 13,000,000 fr. This sum Baron Hirsch, in a letter of the 7th May, 1873, engaged to restore to the Turkish Government, but he has naturally never done so; and, if not already withdrawn, it is practically still at his disposal, and he can use it in execution of his present engagement under the old plea of "compensations."

Article VIII is the repetition of an old engagement, and is no new advantage to the Government.

Article IX once more reaffirms and fortifies all the old quarrels and difficulties, so terribly to the disadvantage of the Government, and of which this latter might have freed itself, as before explained, by the exercise of some energy and of its sovereign rights.

On the whole, it is evident that the Turkish Government has sold for at least thirty-one years, to a foreign Company of a nationality so interested and dangerous to Turkey as the Austrians, a most valuable birthright, for not even a mess of pottage, besides leaving the door open to innumerable complications and difficulties, both political and other.

(Signed) VINCENT CAILLARD.

January 15, 1886.

No. 8.

Sir F. Lascelles to the Marquis of Salisbury.—(Received January 24.)

(No. 23.)
(Telegraphic.) *Sophia, January* 23, 1886.

I COMMUNICATED verbally to Prince Alexander, the day before yesterday, the substance of your Lordship's telegram No. 17 of the 20th instant respecting the Bulgarian tribute and share of the Turkish Debt.

I had no opportunity of mentioning the subject to Minister for Foreign Affairs before his departure for Constantinople yesterday morning.

(Sent to Constantinople.)

No. 9.

Sir W. White to the Marquis of Salisbury.—(Received February 4.)

(No. 43.)
My Lord, *Constantinople, January* 29, 1886.

IN reply to your Lordship's despatch No. 25 of the 23rd instant, I have the honour to inclose copy of the Convention signed last month between the Sublime Porte and Baron de Hirsch for a loan from the latter to the former of £ T. 1,000,000.

This Convention was published *in extenso* in the "Turquie" of the 24th ultimo, and I am informed by Mr. Caillard, whose Memorandum upon it was inclosed in my despatch No. 26, Confidential, of the 16th instant, that the text as published in that journal is correct.

I may add that there is no probability of the Ottoman Government obtaining any further advances from Baron de Hirsch, the latter having secured by this one-sided Convention every final advantage which he can possibly hope to derive from this country.

I have, &c.
(Signed) W. A. WHITE.

Inclosure in No. 9.

Extract from "La Turquie" of January 24, 1886.

L'EMPRUNT DE HIRSCH.—Nous sommes à même de publier aujourd'hui la Convention passée entre le Gouvernement Impérial et les représentants de M. le Baron de Hirsch, MM. Kuhlmann et Morawitz, pour une avance de £ T. 1,000,000 consentie par ce dernier.

La lecture de ce document nous dispense de tout nouveau commentaire. Néanmoins, il importe de relever que cette Convention, tout en réservant, par voie d'arbitres, l'examen des réclamations et contestations existant entre les deux parties, pose un jalon pour une entente future, sur toutes les questions pendantes. Aussi, ne serait-on pas étonné d'apprendre que M. le Baron de Hirsch pourra ne pas tarder à arriver dans notre ville pour témoigner personnellement au Gouvernement Impérial de ses bonnes

dispositions à entretenir avec lui les meilleures relations que sa position lui permet de rendre utiles et fructueuses pour le pays.

Voici le texte *in extenso* de la Convention qui a reçu la sanction souveraine :—

ARTICLE I.

La Compagnie d'exploitation susdésignée s'engage à faire au Gouvernement Impérial en compte courant une avance une fois faite de 23,000,000 fr.

Elle versera à la Banque Impériale Ottomane à Paris, pour être tenue à la disposition du Gouvernement Impérial, la susdite somme de 23,000,000 fr. dans les dix jours qui suivront la signature des présentes. Ce versement devra être effectué simultanément avec la remise par l'Ambassadeur Ottoman à Paris à la Banque Impériale Ottomane et à la Banque de Paris et des Pays-Bas de Paris de la lettre qui sera adressée par le Ministère Ottoman des Travaux Publics aux susdites Banques les autorisant à restituer le dépôt mentionné à l'Article VI des présentes et avec la délivrance à l'Ambassadeur par la Compaignie d'Exploitation de l'acte de garantie indiqué au même Article VI.

L'avance faite par la Compagnie d'Exploitation portera intérêt à 7 pour cent l'an et jouira d'un amortissement annuel de 1 pour cent, soit une annuité de 1,840,000 fr., de manière que l'avance selon ce paiement annuel se trouvera remboursée au bout de trente et une années en capital et intérêts.

ARTICLE II.

La Compagnie d'Exploitation prélèvera sur la part de recettes revenant au Gouvernement Impérial en vertu de l'Article IV des présentes du chef des lignes actuellement en exploitation les intérêts et l'amortissement de l'avance dont il vient d'être parlé.

ARTICLE III.

La part de recettes revenant au Gouvernment Impérial sur les lignes actuellement exploitées ainsi que le revenu total de ces lignes quelles qu'en soient les conditions d'exploitation sont affectées pour en former la garantie incommutable jusqu'à due concurrence à l'intérêt et à l'amortissement de l'avance dont il est parlé à l'Article Ier des présentes, avance qui jouira par conséquent d'un gage absolu sur les recettes des dites lignes exploitées jusqu'à concurrence de la dite annuité sans que cependant la part de recettes revenant au Gouvernement Impérial puisse être affectés pour d'autres créances antérieures ou postérieures à la présente Convention que la Compagnie ou ses ayants-droit pourraient réclamer du Gouvernement Impérial.

Il est bien entendu qu'après l'extinction complète du montant de l'avance en capital et intérêts la somme affectée à l'intérêt et à l'amortissement de la dite avance dans la part des revenus afférents au Gouvernement Impérial cessera d'être un gage ou une garantie et sera versée directement au Trésor Impérial.

La Compagnie d'Exploitation pourra émettre pour son propre compte et sous sa propre garantie des obligations dont le montant nominal ne pourra dépasser le montant effectif de l'avance indiquée au présent contrat.

Il est entendu qu'aucun impôt ne pourra être établi, ni perçu par le Gouvernement Impérial Ottoman sur les dites obligations.

Dans les cas où la Compagnie userait de cette faculté d'émission le présent Article sera reproduit en entier sur les titres.

ARTICLE IV.

La Compagnie d'Exploitation prélèvera à forfait pour couvrir ses frais d'exploitation ainsi que l'intérêt du capital d'exploitation sur les recettes brutes d'exploitation, des lignes exploitées ou à être exploitées par elle, conformément aux Conventions (sauf la ligne de Roustchouk-Varna).

1. Une somme annuelle égale à 7,000 fr. en moyenne par kilomètre.

2. 55 pour cent sur les recettes brutes moyennes qui resteraient après déduction des dits 7,000 fr. par kilomètre, les 45 pour cent restant reviendront au Gouvernement Impérial.

La Compagnie d'Exploitation, quelque soit le chiffre des recettes brutes, garantit au Gouvernement Impérial que la part de recettes lui revenant et qui vient d'être déterminée s'élèvera en moyenne à 1,500 fr. au minimum par an et par kilomètre en exploitation, et ce aussi bien sur les lignes actuellement exploitées que sur celles à exploiter ultérieurement.

Si par suite de circonstances de force majeure l'exploitation d'une partie des lignes venait à être suspendue plus de cinq jours consécutifs, le paiement au Gouvernement Impérial du minimum garanti sera aussi suspendu pour cette partie et ce pendant toute la durée de la suspension de l'exploitation.

Dans le cas où par suite des circonstances sus-énoncées la part de recettes revenant au Gouvernement Impérial viendrait à baisser au-dessous de 1,500 fr., la Compagnie n'en sera pas moins tenue de verser pour chaque kilomètre du réseau entier les susdits 1,500 fr. garantis comme ci-haut, mais elle se remboursera de toute différence sur les excédents de la part de recettes revenant au Gouvernement Impérial pour l'année ou les années suivantes.

La Compagnie paiera au Gouvernement Impérial le minimum garanti à la fin de chaque exercice annuel. Les sommes qui en dehors du minimum garanti reviendraient au Gouvernement Impérial, telles qu'elles résulteront du compte remis, lui seront versées immédiatement après l'approbation du compte, le tout sauf les retenues stipulées aux Articles II et V.

Les stipulations du présent Article s'appliqueront aux lignes actuellement en exploitation à partir du 1er Janvier, 1886, et aux lignes à exploiter ultérieurement à partir de leur mise en exploitation.

Les stipulations du présent Article remplaceront à partir du 1er Janvier, 1886, les stipulations de la Convention d'Exploitation du 18 Mai, 1872, seulement en ce qui concerne la redevance kilométrique de la part du Gouvernement Impérial dans les recettes du chemin de fer et ne s'appliqueront pas à la période antérieure au 1er Janvier, 1886.

Les contestations qui viendraient à surgir du chef de l'interprétation ou de l'exécution de la présente Convention seront réglées conformément aux stipulations de l'Article 35 du Cahier des Charges du 18 Mai, 1872.

ARTICLE V.

A dater du jour de la signature de la présente Convention les transports militaires seront, tant en temps de guerre qu'en temps de paix, effectués pour le tiers au lieu de la moitié du tarif du Cahier des charges du 18 Mai, 1872.

Pour profiter de la réduction des tarifs les officiers et les soldats de l'armée et de la marine devront présenter une feuille de route justifiant qu'ils voyagent en service.

La Compagnie s'engage à effectuer ces transports à crédit contre délivrance de " mazbatas " à fournir par le Ministère de la Guerre ou par ses agents autorisés.

Le remboursement de ces transports s'opérera de la manière suivante :

Après prélèvement des intérêts et amortissement de l'avance tels qu'ils sont définis à l'Article Ier, tout solde revenant au Gouvernement Impérial sur les recettes des lignes actuellement en exploitation conformément à l'Article précédent sera affecté jusqu'à extinction, au remboursement intégral du montant de ces transports. Dans le cas où ce solde serait insuffisant au remboursement intégral du montant des transports effectués dans le courant d'une année, le Trésor Impérial s'engage à parfaire le déficit à la présentation du compte annuel y relatif, à défaut de quoi les sommes en retard seront à partir de la remise du dit compte passibles d'un intérêt de 7 pour cent l'an et payables sur le solde des recettes des années suivantes.

ARTICLE VI.

Conformément à l'Article Ier des présentes le Gouvernement Impérial autorise par la lettre dont la formule est annexée aux présentes la Banque Impériale Ottomane et la Banque de Paris et des Pays-Bas de Paris, à restituer aux déposants le dépôt constitué en date du 7 Mai, 1873, au nom de la Société Impériale des Chemins de Fer de la Turquie d'Europe en liquidation.

Par contre, la Compagnie d'Exploitation prend envers le Gouvernement Impérial l'engagement d'exécuter ou de faire exécuter jusqu'à concurrence de 11,500,000 fr. tout parachèvement qu'une Commission composée de quatre membres dont deux nommés par chacune des deux parties, aura signalé comme nécessaire pour rendre les lignes construites par la Société Impériale conformes au Cahier des Charges de construction et aux plans et types approuvés par le Gouvernement Impérial.

En cas de partage des voix une personne compétente de haute fonction et sans parti pris sera nommée par les membres de la dite Commission en qualité de surarbitre, et sa décision sera obligatoire pour les deux parties et mise à exécution par la Compagnie.

La Commission devra avoir fait son rapport dans le délai d'un an à compter de ce jour sauf le cas de force majeure.

Les travaux de parachèvement devront être terminés sauf le cas de force majeure dans le délai de six mois depuis le jour où le rapport de la Commission aura été notifié à la Compagnie d'Exploitation.

La Compagnie d'Exploitation remettra à l'Ambassadeur Ottoman à Paris, au nom du Gouvernement Impérial, contre la remise par l'Ambassadeur aux banques indiquées, à l'Article Ier des présentes, de la lettre autorisant la restitution du dépôt, une déclaration de l'une des trois banques suivantes :—

Wiener Bank-Verein de Vienne ;
Banque Anglo-Autrichienne de Vienne ;
Banque de Paris et des Pays-Bas de Paris ;

Au choix de la susdite Compagnie garantissant au Gouvernement Impérial l'exécution de l'engagement contracté par la Compagnie d'Exploitation dans le présent Article.

Le modèle de cet engagement de garantie est annexé aux présentes.

ARTICLE VII.

Dans le cas où l'évaluation des travaux de parachèvement faite par la Commission ci-dessus stipulée dépasserait 11,500,000 fr., la Compagnie d'Exploitation s'engage à effectuer néanmoins ses travaux quel qu'en soit le montant sans limite.

ARTICLE VIII.

Indépendamment des engagements concernant les travaux de parachèvement dont il est parlé aux Articles VI et VII, la Compagnie d'Exploitation s'engage à maintenir, ou s'il y a lieu à mettre les lignes exploitées par elle en harmonie avec les dispositions techniques arrêtées à Vienne le 9 Mai, 1883, par le Traité de la Conférence à Quatre, et ce sans réclamer de ce chef au Gouvernement Impérial un paiement ou une indemnité quelconque.

ARTICLE IX.

Diverses réclamations et contestations existant entre les deux Parties Contractantes il est formellement déclaré que la présente Convention ne porte aucune atteinte à ces réclamations et contestations qui sont entièrement réservées, et seront réglées par voie de l'arbitrage dont les négociations seront reprises à bref délai, sous la réserve expresse que la situation des parties pour la période antérieure à la présente Convention est et demeure intacte.

Fait double avec deux annexes.

Constantinople, le 22 Décembre, 1885.

Formule de la Lettre du Ministère des Travaux Publics à la Banque Impériale Ottomane et à la Banque de Paris et des Pays-Bas de Paris.

Je viens vous autoriser au nom du Gouvernement Impérial Ottoman à restituer en capital et intérêts entre les mains des déposants, le dépôt effectué au nom de la Société Impériale des Chemins de Fer de la Turquie d'Europe, en date du 7 Mai, 1873, à la Banque Impériale Ottomane et à la Banque de Paris et des Pays-Bas solidairement.

Le reçu des susdits déposants vaudra pour vous décharge complète et définitive vis-à-vis du Gouvernement Impérial en ce qui concerne le dépôt précité.

Lettre de Garantie à être Signée par l'une des Trois Banques.

M. le Ministre,

Nous avons pris connaissance des dispositions suivantes insérées dans un contrat conclu à la date du 22 Décembre courant, entre le Gouvernement Impérial et la Compagnie des Chemins de Fer Orientaux :—

"Par contre . . . . . dans le présent Article." (Voir 2e alinéa, Article VI.)

Nous venons déclarer à votre Excellence que nous garantissons l'exécution de

l'engagement pris par la Compagnie des Chemins de Fer Orientaux dans le passage que nous venons de reproduire.

No. 10.

Mr. Bouverie to the Earl of Rosebery.—(*Received March* 26.)

Dear Lord Rosebery, *44, Wilton Crescent, March* 25, 1886.

I HAVE received to-day from Constantinople a Memorandum from Mr. V. Caillard, the English Member of the Council of Administration of the Turkish Debt, of which I inclose a copy.

It discloses a very serious prospect as to the future position of the Porte with reference to its public creditors, a prospect which you have it in your power to make, to a certain extent, less discouraging. I should feel very much obliged by your giving me a few minutes of your time, that I might speak to you on this important matter, any afternoon you may please to name.

I am, &c.
(Signed) E. P. BOUVERIE.

Inclosure in No. 10.

Memorandum on the Suspension of Payment of the Eastern Roumelian Annuity to Turkey.

VERY great disappointment was felt by not only the creditors of Turkey, but by all those interested in her financial condition, when, on the Turco-Bulgarian arrangement becoming known, it was found that no distinct special provisions were contained in it for a settlement of the long-pending questions of the Bulgarian Tribute, and the share to be borne by Bulgaria of the Ottoman Public Debt. It must be borne in mind that the settlement of the former question would bring 100,000*l.* yearly direct into the Ottoman Treasury, that being the annual sum now paid by the Porte to the Administration of the Public Debt in lieu of the Bulgarian Tribute.

But there is a matter to which the most serious attention of Her Majesty's Secretary of State for Foreign Affairs should be drawn, namely, the suspension of the payment of the Eastern Roumelian annuity.

As is well known, this was one of the revenues ceded by the Turkish Government to its creditors. Under the Organic Statute of Eastern Roumelia, it should have amounted to £T. 240,000 per annum; but the Provincial Government has not ceased to declare that the revenues were over-estimated by the International Commission, and that three-tenths of the revenue laid down by the Organic Statute did not reach a figure of more than £T. 180,000 per annum. This sum, up to September last, had been regularly paid in monthly instalments, and accepted by the Porte, and the Council of Administration of the Ottoman Public Debt, always with the reserve of insisting at some future date upon the payment in full of the arrears thus accruing. Since, however, the revolution broke out in Eastern Roumelia, in September 1885, no payments of even the reduced amount have been effected, nor does the present Provisional Government of Eastern Roumelia appear to have any intention of resuming them. If this state of things be permitted to continue there will be, in September next, a considerable deficit in the Treasury of the Ottoman Public Debt, and, consequently, it will be impossible to pay the September Coupon of Ottoman Bonds. The following figures clearly show that this is no exaggeration :—

	£T.	£T.
The total revenues for the half-year, March 13, 1886, to September 13, 1886, under normal conditions, would be		1,063,000
The total expenses		901,500
Leaving a surplus of		161,500
To be applied to the sinking fund; but under present conditions the following deductions have to be made—		
Advance to tobacco régie	100,000	
Suspension of payments by East Roumelia	92,500	
Repayment of mourouryé on tobacco in the leaf	50,000	
		242,500
Total deficit		81,000

A deficit of £ T. 81,000 will thus inevitably occur unless Eastern Roumelia resumes payments, and it will be seen that even if *immediate* resumption take place there will only be left a margin of £ T. 11,500 for possible fluctuation of revenue. In fact, the payment of the September coupon depends upon the resumption of payments by Eastern Roumelia, for, under Article XI of the Decree of the 20th December, 1881, an interest of less than 1 per cent. cannot be paid on the Ottoman Public Debt. The meaning of the above deficit is, therefore, suspension of payments by the Ottoman Public Debt.

Such an event would undoubtedly be a public European disaster of great importance, not only financial, but political. By painful and unflagging effort the administration of the Public Debt has been slowly piecing together the shattered fabric of Turkish credit, and some sympathy has been won for the Turkish Government by the loyal way in which, since 1881, it has, although in straitened financial circumstances, met its financial engagements. But a second suspension of the Debt on the occasion of the first crisis in the East, since payments were resumed, would produce consternation and panic; all belief in the good faith of Turkey or her power to keep her promises would be destroyed; and the reaction of these sentiments from the financial on the political world is, however unreasonable, none the less certain. The fault would not be on the Turkish side, except to a limited extent; but the Turk would certainly have to bear the brunt of the blame. I submit that every effort ought to be made to avoid such a disaster, which would not only complicate, but perhaps unduly precipitate matters in the East, and that it is the clear interest of the English Government to insist upon resumption of payments by Eastern Roumelia. It might be said that it is for the Porte to move in the first place, but the Rulers of Turkey are neither courageous nor statesmanlike; they are afraid to move for fear of in some way or other compromising themselves, and in order to retain the shadow of sovereign power over Bulgaria, they are reluctant to move one inch towards obtaining practical substance. Both the Grand Vizier and the Minister for Foreign Affairs answer my pressing appeals by saying that *they do not know who to apply to in Eastern Roumelia for payment*, that the Prince of Bulgaria is not legally Governor-General, and that they might compromise themselves by treating with him in any way, or about any matter, in connection with East Roumelia, until his position is legalized. It is not necessary to point out the futility of such argument.

If disaster, and the expression is no exaggeration, is to be avoided, it is most urgently necessary that Her Majesty's Government should insist as strongly as possible with the Bulgarian Government upon the immediate resumption of payments by Eastern Roumelia. It could be easily pointed out, now that the Bulgarian Government is thinking of raising loans, that it is not advantageous to its credit to acquiesce, from the very outset, in the breaking of former engagements, and as a point of policy, a proof of honesty and good faith would be surely, at the present moment, most advisable.

I think also the Turkish Government should be urgently pressed to demand that payments should be resumed; unless its attention be somewhat forcibly called to the matter by a foreign friendly Government, the dead weight of sloth and indifference to to all practical matters will not be moved; and it must be remembered that it is not only Turkey that will suffer if the disaster takes place.

I would point out, in conclusion, that no delay need occur in the resumption of payments on account of proximate modifications of the Eastern Roumelian Organic Statute. Obviously, until these modifications are drawn up and sanctioned, the provisions of the original Organic Statute may be assumed to be in force.

I shall venture, at an early date, to send further Memoranda on the financial position of Eastern Roumelia and on the Bulgarian financial question; but I earnestly hope that Her Majesty's Government will not underrate the importance of the question treated in this Memorandum, and will take the necessary action immediately to prevent the occurrence of a real calamity.

(Signed) VINCENT CAILLARD.

No. 11.

The Earl of Rosebery to Viscount Lyons.

E

(No. 219.) *Foreign Office, April* 13, 1886.

My Lord,

IN the course of conversation to-day the French Ambassador called my attention to the existence of serious anxiety among the Turkish bondholders as to the payment

in the future of the annual sum on account of the tribute of Eastern Roumelia, which had been assigned by the Porte for the service of the general debt.

His Excellency stated that M. de Freycinet proposed to instruct the French Agent and Consul-General at Sophia to recommend the representative of the French bondholders to the favour ("bienveillance") of Prince Alexander, and wished to know whether I should be disposed to take a similar course in favour of the British Delegate from the bondholders.

I said that I had no information to the effect that any such representative was going from this country, but that, if it should be so, I should be disposed to join in a similar recommendation.

I am, &c.

(Signed) ROSEBERY.

No. 12.

Mr. Bouverie to the Earl of Rosebery.—(*Received April* 14.)

Council of Foreign Bondholders, 17, *Moorgate Street, London, April* 13, 1886.

My Lord,

I HAVE the honour to inclose, for your Lordship's information, a copy of two Resolutions which were passed yesterday at a full meeting of the Council of Foreign Bondholders, after an interview with M. Valfrey, deputed by the French holders of Turkish bonds to come over here to represent them, and to state their views on the present emergency, seriously affecting as it does the revenues assigned to the Council of Administration of the Turkish Debt at Constantinople.

M. Valfrey was good enough to communicate to this Council an able Memorandum prepared by himself on this subject, on behalf of those he represents, which Memorandum is embodied in the first of these Resolutions, and in which your Lordship will observe this Council fully concur.

The French bondholders represented by this gentleman propose to communicate forthwith with the Foreign Minister of their own Government, with a view to urge upon him the importance of instructing the French Representative at Philippopoli to use his best endeavours to assist the proposed deputation from Constantinople in obtaining the object they go to seek from the Prince of Bulgaria.

I have respectfully to make the like request to your Lordship. The object is one of very considerable importance, not only to the bondholders immediately interested, but also to the general interests of Europe. I wish to refer to the Memorandum on this subject by Mr. Caillard, which I had the honour to communicate to your Lordship in my private letter of the 25th March, and I need not recapitulate the demonstration therein contained, that this is a matter of a very grave character; it is one, too, which, if serious consequences are to be avoided, admits of very little delay.

Mr. Caillard has been instructed from here to lose no time in pressing the sending of this deputation upon his colleagues at Constantinople; and he will himself, I have every reason to hope, form a part of it.

I have, &c.

(Signed) E. P. BOUVERIE.

Inclosure in No. 12.

Court of the Council, Monday, April 12, 1886.

M. VALFRY attended on the part of the French bondholders, and read the following Memorandum on the position of the Roumelian tribute:—

"Le Délégué Français, après s'être rendu compte de la situation dans laquelle est placée la Caisse de la Dette Publique Ottomane par suite des circonstances qui n'ont pas permis à l'Administration de la Roumélie-Orientale d'acquitter depuis plusieurs mois la contribution de cette province, estime qu'il y a urgence à s'enquérir des intentions du Gouvernement de Son Altesse le Prince de Bulgarie.

"En conséquence, M. Valfrey exprime l'avis que le meilleur moyen d'éclaircir la situation et d'y obvier serait de déléguer auprès de Son Altesse et de ses Ministres les Représentants de la France et de l'Angleterre dans le Conseil de la Dette à Constantinople.

"Toutefois, MM. Aubaret et Caillard, avant de se rendre à Philippopoli, devront s'entendre avec leurs collègues d'Allemagne, d'Autriche-Hongrie, et d'Italie.

"Ils auront également à se concerter avec le Gouvernement de la Sublime Porte, qui ne peut qu'être affecté du trouble profond que le non-versement de la contribution de la Roumélie-Orientale menace d'introduire dans l'économie des ressources, promises aux porteurs de la Dette Ottomane par le Décret Impérial du 21 Décembre, 1881.

"*Londres, le* 12 *Avril*, 1886."

Moved by the Right Honourable R. Bourke, M.P., seconded by Sir H. W. Tyler, M.P., and carried unanimously:—

That the Council of Foreign Bondholders, after having had the pleasure of meeting M. Valfrey, and discussing with him the question of the Turkish Debt, entirely concur with him that it is desirable to send a deputation to communicate with the Prince of Bulgaria in concert with the Representatives of the other nationalities interested, and for that purpose adopt the Memorandum which he has been good enough to lay before them.

Moved by General Sir G. Balfour, M.P., seconded by the Right Honourable Lord Kinnaird, and carried unanimously:—

That Her Majesty's Secretary of State for Foreign Affairs be urgently requested to instruct the British Representative at Philippopoli to give his best assistance and good offices to the proposed deputation of the Council of Administration to the Prince of Bulgaria.

No. 13.

The Earl of Rosebery to Sir F. Lascelles.

(No. 37.)

Foreign Office, April 17, 1886.

Sir,

SERIOUS anxiety is felt by the bondholders of the Turkish Debt as to the arrangements for the payment of the Eastern Roumelian tribute, which, as you are aware, is one of the sources of revenue assigned by the Porte for the service of the General Debt of the Empire.

It is proposed that a Deputation from the Council of the Administration of the Turkish Debt at Constantinople shall wait upon the Prince of Bulgaria to ascertain what are the intentions of the Bulgarian Government with regard to this tribute.

I transmit to you herewith a copy of a letter upon the subject which I have received from the Council of Foreign Bondholders,* together with Resolutions adopted by that body, and also a Memorandum by M. Caillard, which was communicated to me by Mr. Bouverie on the 25th ultimo.†

You will perceive, from the record of my interview with the French Ambassador, contained in the inclosed copy of a despatch to Her Majesty's Ambassador at Paris,‡ that M. de Freycinet is about to instruct the French Agent and Consul-General at Sophia to recommend the representative of the French bondholders to the favour of the Prince of Bulgaria.

I should wish you to give similar assistance to the English member of the Deputation, and to support unofficially, so far as you properly can, the representations which will be made to the Bulgarian Government for the punctual payment of the tribute.

I am, &c.

(Signed) ROSEBERY.

No. 14.

The Earl of Rosebery to Viscount Lyons.

E

(No. 248.)

Foreign Office, April 17, 1886.

My Lord,

THE French Ambassador asked me, in the course of conversation to-day, whether I had any further communication to make to him with regard to the

* No. 12. † Inclosure in No. 10. ‡ No. 11.

question of the Eastern Roumelian Tribute and the interests therein of the Turkish bondholders.

I said that I understood that M. Caillard, the representative of the British bondholders on the Council of Administration of the Ottoman Debt, would act as their delegate in this matter, and that I had instructed Her Majesty's Agent and Consul-General at Sophia to support unofficially the representations to be made by the Deputation to the Government of Prince Alexander for the punctual payment of the Tribute.

I am, &c.

(Signed) ROSEBERY.

No. 15.

Sir J. Pauncefote to Mr. Bouverie.

Foreign Office, April 19, 1886.

Sir,

I AM directed by the Earl of Rosebery to acknowledge the receipt of your letter of the 18th instant upon the subject of the Deputation from the Council of the Administration of the Ottoman Debt, which it is proposed should wait upon Prince Alexander of Bulgaria, in order to ascertain what are the intentions of his Government with regard to the payment of the Eastern Roumelian Tribute.

I am to request that you will inform the Council of Foreign Bondholders that Her Majesty's Agent and Consul-General will be authorized to give to the proposed Deputation such unofficial support as he properly can in furtherance of the object which the Council has in view.

I am, &c.

(Signed) JULIAN PAUNCEFOTE.

No. 16.

Sir F. Lascelles to the Earl of Rosebery.—(*Received April* 19, 5 P.M.)

(No. 78.)

(Telegraphic.)

Sophia, April 19, 1886, 1·40 P.M.

MY French colleague has received instructions, dated yesterday, to join with me in demanding that the payment of £ T. 100,000 hitherto made by Eastern Roumelia should be continued.

I told him that I had received no instructions on the subject since Lord Salisbury's telegram No. 17 of the 20th January, the substance of which I had communicated verbally to Prince Alexander on the following day.

(Sent to Constantinople.)

No. 17.

Sir F. Lascelles to the Earl of Rosebery.—(*Received April* 19.)

(No. 124. Ext. 78.)

Sophia, April 19, 1886.

My Lord,

THE French Agent and Consul-General has informed me that he has been instructed by a telegram of yesterday's date to join with me in making a representation to the Bulgarian Government to demand that the sum of £ T. 100,000, hitherto paid by the Eastern Roumelian Government, should continue to be paid to the Turkish Treasury.

I informed M. Flesch that the last instructions I had received on this subject were contained in a telegram from Lord Salisbury of the 20th January last, and that I had on the following day communicated the substance of his Lordship's telegram verbally to Prince Alexander.

I have forwarded the above to Sir Edward Thornton.

I have, &c.

(Signed) FRANK C. LASCELLES.

No. 18.

The Earl of Rosebery to Sir F. Lascelles.

(No. 78.) *Foreign Office, April* 20, 1886, 4·15 P.M.
(Telegraphic.)

YOUR telegram No. 78 of yesterday.

A deputation from Council of Administration for the Debt at Constantinople is about to proceed to Sophia in order to make representations on the subject of the payment of tribute for Eastern Roumelia. French Government inform us that they have instructed their Agent to recommend the French member of the deputation to the good-will of the Prince. Instructions are being sent to you to give similar support to the English member.

No. 19.

Sir F. Lascelles to the Earl of Rosebery.—(Received April 22, 8·30 A.M.)

(No. 80.) *Sophia, April* 22, 1886, 12·20 A.M.
(Telegraphic.)

YOUR telegram No. 78.

Prince Alexander and Secretary leave Sophia for Eastern Roumelia on [group omitted]. Their journey is calculated to last twenty-seven days. It would be useless for the deputation of the Council of the Administration for the Debt at Constantinople to come here before their return.

(Sent to Constantinople.)

No. 20.

Sir F. Lascelles to the Earl of Rosebery.—(Received April 22.)

(No. 126. Ext. 80.) *Sophia, April* 22, 1886.

My Lord,

WITH reference to your Lordship's telegram No. 78 of yesterday's date, I have the honour to report that both Prince Alexander and M. Karaveloff intend to leave Sophia on Monday next for Eastern Roumelia.

It is expected that their journey will last for twenty-seven days at the least.

Under these circumstances I would venture to suggest that it would be useless for the deputation from the Council of the Administration of the Debt at Constantinople to arrive at Sophia before the return of the Prince and M. Karaveloff, as in their absence there would be nobody for them to negotiate with.

I have forwarded the above to Sir Edward Thornton.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 21.

Mr. Bouverie to the Earl of Rosebery.—(Received April 29.)

Council of Foreign Bondholders, 17, *Moorgate Street, London, April* 27, 1886.

My Lord,

WITH reference to the letter I had the honour to address to your Lordship on the 13th instant, requesting that Her Majesty's Representative at Philippopoli should be instructed to aid M. Caillard there in his endeavours to obtain the renewal of the payment of the East Roumelian tribute from the Government there, and to your Lordship's letter of the 19th instant in reply thereto, I have now to make a further application to your Lordship.

It is of much importance to the success of M. Caillard that he should obtain the hearty approval and co-operation of the Porte in his mission to Philippopoli.

The following is an extract from a letter addressed to this Office from M. Caillard, dated the 20th April, 1886, in reference to this co-operation:—

"Not only will the Porte be jealous of our appearing in any way to act ourselves directly in what it considers to be political and diplomatic affairs, but it is at this moment timid and fearful of any question in relation to Bulgarian affairs which may be raised. It will be no easy matter to get over these prejudices; but I think it is essential that we should have some kind of authority from the Porte, and will do my utmost to obtain it. In order to do so it would be extremely useful to have the active support, with the Turkish Government, of the English Ambassador here. He should be instructed not only to support me in any efforts I may make, but himself to take the initiative, and press the Turkish Government to afford me its hearty approval and co-operation in the negotiations with the Bulgarian Government."

I trust it is not asking too much of Her Majesty's Government if I beg that M. Caillard's request may receive their favourable consideration, and that Her Majesty's Ambassador at Constantinople may be instructed to press the Porte to give cordial support to the proposed mission of M. Caillard and its objects.

I have, &c.
(Signed) E. P. BOUVERIE.

No. 22.

The Earl of Rosebery to Sir E. Thornton.

E
(No. 150.) *Foreign Office, April* 30, 1886.

Sir,

I TRANSMIT to you herewith a copy of a Memorandum by Mr. Caillard on the suspension of payment of the Eastern Roumelian tribute, which was forwarded to me by Mr. E. P. Bouverie on the 25th March last,* also a copy of a letter upon the same subject which I received on the 14th ultimo from the Council of Foreign Bondholders, with Resolutions adopted by that body.†

Your Excellency will see that it is proposed that a deputation from the Council of the Administration of the Turkish Debt shall wait upon the Prince of Bulgaria to ascertain the intentions of his Government with regard to this tribute.

By a despatch of the 17th instant, of which I inclose a copy for your information,‡ I have instructed Her Majesty's Agent and Consul-General at Sophia to recommend the representative of the British bondholders to the favour of Prince Alexander, and to support unofficially the representations which will be made to the Bulgarian Government by the deputation from Constantinople for the punctual payment of the tribute.

Since the date of my instructions to Sir F. Lascelles I have received a further letter from the Council of Foreign Bondholders, of which a copy is inclosed herein for your confidential information,§ stating that it is of much importance to the success of the deputation, of which Mr. Caillard will form part on behalf of the British bondholders, that he should receive the hearty approval and co-operation of the Porte in his mission. I have accordingly to request Your Excellency to urge the Porte in such manner as you may deem most expedient, to give cordial support to the mission of Mr. Caillard, the object of which will, if obtained, be of advantage to Turkish credit.

I am, &c.
(Signed) ROSEBERY.

No. 23.

Sir J. Pauncefote to Mr. Bouverie.

Foreign Office, May 5, 1886.

Sir,

I AM directed by the Earl of Rosebery to acknowledge the receipt of your letter of the 27th ultimo, asking that Her Majesty's Ambassador at Constantinople may be instructed to urge the Porte to give its support to the proposed mission of Mr. Caillard and the deputation from the Council of the Administration of the Turkish Debt in their endeavours to arrange with the Bulgarian Government for the punctual payment of the Eastern Roumelian tribute.

I am to state to you, in reply to your letter, that Lord Rosebery has requested

* Inclosure in No. 10. † No. 12. ‡ No. 13. § No. 21.

Sir E. Thornton to urge the Porte to give its support to the deputation, and to point out that the object of it, if obtained, will prove advantageous to Turkish credit.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 24.

Sir E. Thornton to the Earl of Rosebery.—(Received May 15.)

(No. 232.) *Constantinople, May 10, 1886.*

My Lord,

ON the receipt this morning of your Lordship's despatch No. 150 of the 30th April, I desired Mr. Fane (being myself confined to my room in consequence of a recent accident) to visit the Porte for the purpose of urging, in my name, upon the Turkish Government that they should give every support to the deputation which the Administrative Council of the Turkish Debt propose sending to the Prince of Bulgaria with the object of securing due and punctual payment of the Eastern Roumelian tribute.

The Grand Vizier requested Mr. Fane to inform me that he had already written (two or three days ago) to the Prince of Bulgaria in the sense desired by me, and also that instructions had been sent to the Turkish Representative at Sophia to support the views of the proposed deputation. In answer to an inquiry on the point made by his Highness, Mr. Fane said that Sir F. Lascelles had been instructed by your Lordship to afford his best assistance to the deputation.

Mr. Fane also saw the Minister for Foreign Affairs upon this matter, and mentioned to his Excellency that he would receive from me a Memorandum stating and sustaining the views held by the Council of Bondholders.

Following my instruction to him on the point, Mr. Fane impressed upon both the Grand Vizier and the Minister for Foreign Affairs the opinion of Her Majesty's Government that it would be very disadvantageous to the public credit of Turkey if a deficit were to occur in the Treasury of the Public Debt owing to the non-payment of this Eastern Roumelian tribute.

I have, &c.
(Signed) EDWD. THORNTON.

No. 25.

The Earl of Rosebery to Sir E. Thornton.

(No. 172.) *Foreign Office, May 21, 1886.*

Sir,

I HAVE received your despatch No. 232 of the 10th instant reporting the steps you took to prevail upon the Porte to give its support to the deputation which the the Administrative Council of the Turkish Debt are sending to the Prince of Bulgaria with the object of securing due and punctual payment of the Eastern Roumelian tribute; and I approve your Excellency's action in this matter.

I am, &c.
(Signed) ROSEBERY.

No. 26.

Mr. V. Caillard to Sir J. Pauncefote.—(Received May 22.)

Constantinople, May 18, 1886.

Dear Sir Julian Pauncefote,

I VENTURE to inclose you a Memorandum on Cyprus salt. I am afraid that sending it straight like this to you is a little irregular, but as it is most important that the matter dealt with in the Memorandum should be decided as soon as possible, I thought you would excuse a little irregularity, in order that time might be saved. It is an old question, which might have been settled years ago if the Porte had had any good sense and less of false pride. It would be an interesting calculation to tot up how much in money, territory, and everything which goes to making up an Empire the Turks have lost by vanity. The last Turk will lose his last yard of ground because he will not be able to retain it in the way which exactly suits his pride.

As to this salt question, I should be very greatly obliged to you if you would take some interest in it, and have the matter settled, if possible, immediately. The salt season is now beginning, and unless we can take over the surplus Cyprus salt it will come over to our shores in contraband again, and our revenue will again severely suffer.

The little Greek is very annoying, isn't he? The calm, impudent way in which he talks about rights which do not exist (unless Greece is strong enough to conquer Turkey, for right is to might); and his deliberate, impertinent speculation on generous liberal sentiment in Europe would be ridiculous if it were not so exasperating. One cannot help wishing that it might have been safe to let loose the Turkish dogs of war upon him. There would have been a few little piteous squeals, and the last would have been heard of Greek rights for a long time to come.

I had hoped to come to London this season; but we have got to try and squeeze money out of the Bulgarians, and I'm afraid that will put off my visit to England to rather late. Would you remember me very kindly to Sir Charles Dilke when you see him?

Yours sincerely,
(Signed) VINCENT CAILLARD.

Inclosure in No. 26.

Memorandum by Mr. V. Caillard on the Salt extracted in the Island of Cyprus to be delivered over to the Turkish Government.

WHEN the Island of Cyprus was handed over to British administration, certain discussions arose as to the disposal of the salt revenue. I have not been able to obtain the papers exchanged between the British and Turkish Governments on the question; but the gist of the matter appears to have been this. The Turkish Government laid claim to the entire salt revenue as being one of the revenues appertaining to the Crown, and demanded that the salt works should be administered by Turkish functionaries. The English Government, on the other hand, asserted its right to that part of the revenue arising from the sale of all salt consumed in the island, and also to the administration of the salt works by British functionaries. At the same time, it offered to deliver over, at Larnaca, to the Turkish Government, 5,208 tons of salt annually, that being the average annual amount previously sold in the island. The Porte does not appear to have given any decided answer to this offer, the fact being that it still considered that the whole salt revenue should flow into the Turkish Treasury; and so the affair has remained up to the present moment.

The Council of the Public Debt, under whose administration the entire salt revenue of the Turkish Empire now lies, finds the result of the above state of affairs to be this. A very much larger amount of salt being extracted in Cyprus than is necessary for the actual consumption of the island, the surplus salt, for which there is no sale or outlet in the island, is smuggled away and sold in contraband on the coasts of Karamania and Syria, thus causing very serious prejudice to the salt revenue of that portion of the Empire.

At the instance of the above Council the Porte has now decided to request the English Government, and has transmitted telegraphic instructions to the Turkish Ambassador in London to that effect, to hand over to agents of the Public Debt, duly authorized for the purpose, the whole amount of salt extracted in Cyprus which is in excess of that requisite for the internal consumption of the island.

The operation would be perfectly simple. No salt should be permitted to leave the island; and since all amounts of salt extracted are entered on registers, as also are all amounts sold, the remainder would be the surplus salt, the quantity of which there would be no difficulty in checking.

As this arrangement would save a loss to the Public Debt of some thousands of pounds per annum, and as the prosperity of the Public Debt is a matter not only of financial, but also of very considerable political importance in the East, I trust that Her Majesty's Government may look favourably upon the request made by the Porte, and may bring the matter to a conclusion at once. I may add that since the season for the extraction of salt is now commencing, it is of great importance that a decision should be taken at the earliest possible moment.

(Signed) VINCENT CAILLARD.

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No. 27.

Mr. Bouverie to the Earl of Rosebery.—(*Received May 22.*)

Council of Foreign Bondholders, 17, Moorgate Street, London, May 21, 1886.

My Lord,

YOUR Lordship is well aware that, by the IXth Article of the Treaty of Berlin, provision was made that the annual tribute which it was proposed should be paid to the Suzerain Court should be fixed by an Agreement between the Powers signing the Treaty, at the close of the first year of the working of the new organization.

Although the date of the Treaty is July 1878, nothing effective has yet been done to carry this provision into actual operation.

The proposed tribute was assigned by the Iradé of the Sultan of December 1881 to the Council of the Administration of the Ottoman Debt, for the benefit of the creditors of Turkey.

Various efforts have since been made to endeavour to get this important matter settled, but one of the main difficulties in the way of a settlement, which is a very important object to the creditors of the Porte, has hitherto been that the Russian Government, although professing a desire to assist in obtaining one when pressed to do so by the representatives of the creditors sent to St. Petersburgh expressly for that purpose, have never hitherto shown a really active determination to push it forward. The exertion of their influence with the Bulgarian Government was almost a *sine qua non* for obtaining a settlement, which the Bulgarian Government were not particularly anxious to see completed.

It is supposed now that this would be no longer the case, seeing that the Russian Government is not disposed, after recent events, to play the same protecting part with the Bulgarian Government that they have heretofore exercised, and for which they evidently are of opinion they have received a most ungrateful return.

It is thought that the approaching Conference of the Powers at Constantinople to consider the Turco-Bulgarian Agreement and the modification of the Organic Statute, will afford a most favourable opportunity for the Powers to determine the Bulgarian tribute, and that to this end I have to suggest that the Porte should be invited to address a Circular note to the Powers, requesting that the necessary Conference be assembled for the purpose, or that the first-mentioned Conference be empowered to settle the tribute.

It seems strange that the Porte should require any stimulating from without for such a purpose, seeing that they will be the gainers if the tribute is settled, by recovering the 100,000*l.* per annum they now pay to the bondholders so long as that tribute is not paid; but it requires no great experience of the Porte to learn how inert and torpid a body it is, and how difficult to move, even where their best interests are concerned.

Their taking the course now suggested should be urgently pressed on them, in their own interest, and as one helping to strengthen their credit in Europe, which a neglect of the clear claims of the creditors to their assistance is calculated materially to diminish. If they will address a Circular note to the Powers requesting them to meet in the Conference in question, and also will instruct their Representative at Sophia to communicate with the Delegates of the Council of Administration about to proceed there as to the terms and basis of a settlement, they will have done much to strengthen their financial position and to fulfil their obligations to their creditors.

I have respectfully to ask your Lordship, if you concur in the views above indicated, to instruct Sir Edward Thornton to urge them upon the Porte. The Council of Administration, I am informed, have already sensibly felt the great advantage they have obtained in their communications with the Porte in the matter of the Roumelian tribute, and the proposed delegation to Prince Alexander respecting it, from the instructions sent by your Lordship to Sir Edward Thornton, as communicated to me in the letter of Sir Philip Currie dated the 5th instant.

I have, &c.

(Signed) E. P. BOUVERIE.

No. 28.

The Earl of Rosebery to Sir E. Thornton.

(No. 177.)

Foreign Office, May 29, 1886.

Sir,

THE Chairman of the Council of Foreign Bondholders has addressed to me a letter, of which I inclose a copy,* stating that, in the opinion of the Council, the meeting of the Conference to consider the modifications in the Organic Statute of Eastern Roumelia will afford a most favourable opportunity for the Powers to fix the amount of the Bulgarian tribute to be paid to the Porte. Mr. Bouverie therefore suggests that the Porte should be invited to address a Circular note to the Powers requesting that a Conference should be assembled for the purpose, or that the Conference referred to above should be empowered to settle the tribute.

Before furnishing your Excellency with instructions in this matter I should wish you to ascertain and report to me what course the Porte proposes to take in regard to the question of tribute when the Turco-Bulgarian Commission meets to consider the modifications to be made in the Organic Statute of Eastern Roumelia, and what instructions will be given on the subject to the Turkish Delegate in that Commission.

I am, &c.

(Signed) ROSEBERY.

No. 29.

The Earl of Rosebery to Sir E. Thornton.

(No. 185.)

Foreign Office, June 3, 1886.

Sir,

IN the course of conversation to-day the Turkish Ambassador informed me that the dispute between the Porte and the Imperial Ottoman Bank had now been amicably arranged; that the claim of the Bank on the Porte had been reduced from 7,000,000*l.* to 4,500,000*l.*, and that the Bank had advanced the Porte 750,000*l.* to assist them in the payment and demobilization of their army. I asked Rustem Pasha as to the progress of that demobilization, but his information seemed to be of a general and vague character.

I am, &c.

(Signed) ROSEBERY.

No. 30.

Sir E. Thornton to the Earl of Rosebery.—(*Received June 5.*)

(No. 276.)

Constantinople, May 31, 1886.

My Lord,

YOUR Lordship is no doubt aware that the Imperial Ottoman Bank lately claimed from the Ottoman Government, as account current, about £ T. 7,500,000.

Protracted negotiations were entered into between the Government and the Bank, and these have now resulted in an agreement being arrived at.

The Government admits its liability to the extent of £ T. 4,500,000, at which sum the account current is fixed, and an Imperial Iradé has been issued authorizing the Government to issue bonds bearing interest at 5 per cent. with 1 per cent. redemption.

At the same time, bonds to the extent of £ T. 2,000,000 will be issued to pay some of the Galata creditors.

The Bank will collect, on behalf of the Government, in those provinces where branches exist, the Customs revenues, and will pay these to the Customs Department in Constantinople, which, every two months, will return to the Bank the necessary amount to cover the interest and the sinking fund, and should the Government not fulfil this engagement, the Imperial Ottoman Bank is authorized to retain the necessary sum out of revenues collected by it.

By this Iradé the Government is authorized to obtain from the Bank a fresh advance for immediate purposes of £ T. 750,000. The rate of interest is fixed at 7 per cent. per annum, which is to be paid likewise out of the Customs revenues; but nothing has been stipulated respecting the redemption.

* No. 27.

A Contract embodying the details of the arrangement was signed on the 29th instant by the Representatives of the Government and of the Imperial Ottoman Bank.

I have, &c.
(Signed) EDWD. THORNTON.

No. 31.

Mr. Bouverie to the Earl of Rosebery.—(Received June 7.)

(Private.)
Dear Lord Rosebery, *17, Moorgate Street, London, June 4, 1886.*

I HAVE received your official reply promising consideration to the letter I addressed to you on behalf of the Council of Foreign Bondholders, dated the 2nd June, and to the request I made you therein that Her Majesty's Government should seize the present opportunity for endeavouring to get the Bulgarian tribute question settled, in accordance with Article IX of the Berlin Treaty.

Your intervention, at my request, through the British Ambassador at Constantinople has been most effectual to secure the official co-operation of the Porte, with the efforts of the Council of Administration of the Turkish Debt, to obtain a settlement with Prince Alexander of the Eastern Roumelian tribute.

I wish to express the obligation of this Council, and the creditors of Turkey, to your Lordship for what you have thus successfully accomplished, which is alike important to the creditors and to Turkish credit.

I feel very anxious that the occasion should not be lost, which is offered us by the approaching Conference on the Turco-Bulgarian question at Constantinople, for at last settling the tribute of Bulgaria: and I wish to press you all the more to take this question actively in hand because I believe that on your doing so depends the active co-operation of the French Government for the same object. I inclose to you extracts from two letters from M. Valfrey and M. Charles Mallet, who represent the French creditors' interests in a powerful way, and whose names may be known to you. These will prove that the action of M. de Freycinet is really dependent on yours; and I have every reason also to believe that the German Government is well disposed to act in the same sense.

The interests at stake are so important, both private and public, that you will, I trust, forgive my urging upon you to take active initiative steps in the direction indicated.

I am, &c.
(Signed) E. P. BOUVERIE.

Inclosure 1 in No. 31.

M. Valfrey to Mr. Bouverie.

[Printed literally.]

(Extrait.) *Paris, le 27 Mai, 1886.*

EN premier lieu, j'ai demandé à notre Gouvernement d'envoyer des instructions à nôtre Chargé d'Affaires à Constantinople pour qu'il recommande à la Porte d'appuyer officiellement la démarche éventuelle des Délégués du Conseil de la Dette auprès du Prince de Bulgarie. M. de Freycinet a différé à mon désir, et à la date du 22 courant, M. de Montholon a été muni à cet effet d'instructions qui se rapprochent sensiblement de celle qui avaient été antérieurement expediés à Sir E. Thornton. Voila donc un point réglé; mais il reste à savoir si la Porte prendra sur elle de seconer son incroyable inertie enfin à prêter à nos Délégues tout l'appui qu'elle leur doit. Les choses en étaient là, lorsque j'ai reçu ce matin vôtre nouvelle lettre du 25 avec la pièce confidentielle qui l'accompagne. Prévenu antérieurement par la correspondance de M. Aubaret, j'avais déjà tombé un mot à notre Ministre des questions qui se rattachent à la fixation du tribut et parts contributives, et j'avais demandé si le moment ne paraissait pas venu de stimuler la Porte dans cette voie. Il m'a été répondu que le Gouvernement Français est prêt tout ce que fera le Gouvernement Anglais, en sorte que le jour où vous aurez la décision de Lord Rosebery au sujet de la démarche que vous réclamez de lui, dans des terms si judicieux, M. de Freycinet écrira aussitôt dans le même sens à Constantinople. Mais dans la situation fort délicate où se trouve M. de Freycinet, par suite des dernières péripities de l'affaire

Grecque, il serait difficile, je crois, de l'amener à prendre une initiative quelquonque. Mais je le répète si Lord Rosebery agit, notre Gouvernement agira aussitôt, et dans des termes identiques.

Inclosure 2 in No. 31.

M. Charles Mallet to Mr. Bouverie.

(Extract.) *Paris, May 27, 1886.*

I CAN only give you the assurance that we will not lose sight one moment of the objects which M. de Freycinet's action can promote. Unfortunately, the line of policy which he has been following of late as regards Greece and the other European Powers does not qualify him for any sort of effective initiative; but if Lord Rosebery can be prevailed upon to take the lead Freycinet will follow.

No. 32.

Sir E. Thornton to the Earl of Rosebery.—(Received June 16.)

E
(No. 300.)
My Lord, *Constantinople, June 10, 1886.*

IN a conversation which I had with the Grand Vizier on the 8th instant, I inquired of his Highness what were the views of the Sublime Porte with regard to the tribute to be paid by Eastern Roumelia and Bulgaria to the Ottoman Government, and whether it would not be advisable that the Commission which is to be charged with the revision of the Eastern Roumelian Organic Statute should also be instructed to take into consideration and decide upon the amount of the tribute to be paid by Bulgaria.

His Highness replied that the Commission could have nothing to do with the question of the Bulgarian tribute, and that, as far as the Eastern Roumelian tribute was concerned, they would be instructed to maintain that it should be paid to the same amount and in the same way as had been the case under the previous Governors-General, and in accordance with the provisions of the Organic Statute.

With regard to the Principality of Bulgaria, which, his Highness observed, was entirely separate from Eastern Roumelia, he said that by the IXth Article of the Treaty of Berlin it had been stipulated that the amount of the tribute to be paid by Bulgaria should be fixed by the Powers whose Representatives signed that Treaty, and that the Porte would find themselves under the necessity of soon inviting the attention of the Powers to their stipulation, and to request them to undertake the task without delay. It would be for them, he said, to decide whether this should be done by a Conference or by direct negotiations between the Governments of the different Powers. His Highness added that it was possible that the Porte might at first address themselves to Her Majesty's Government and request them invite the other Powers to unite in taking the question into consideration, agreeing at the same time upon the form in which this was to be done.

I have, &c.
(Signed) EDWD. THORNTON.

No. 23.

Sir F. Lascelles to the Earl of Rosebery.—(Received July 3.)

(No. 168.)
My Lord, *Sophia, June 26, 1886.*

I HAVE the honour to report that Mr. Vincent Caillard, the representative of the English bondholders in the administration of the Debt at Constantinople, arrived at Sophia on the evening of the 24th instant. I furnished him yesterday with a letter of introduction to M. Karaveloff, with whom he had an interview, and this morning he had the honour of being received by Prince Alexander.

Mr. Caillard informs me that he is satisfied with the language held to him both by the Prince and by M. Karaveloff, which has led him to hope that even if he cannot arrive at a final solution of the question of the Eastern Roumelian tribute, the Bulgarian Government would consent to the payment of a sufficient sum on account

to insure the payment in full of the October coupon, which it appears is endangered by the non-receipt of any money from Eastern Roumelia since the 18th September last.

Mr. Caillard informs me that it was originally intended that his French colleague should accompany him, and that they should come here officially as a deputation from the Council of Bondholders, but that M. Aubaret had since been instructed by the French Embassy at Constantinople not to proceed to Sophia.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 34.

Sir F. Lascelles to the Earl of Rosebery.—(Received July 7, 11 P.M.)

(No. 98.)
(Telegraphic.) *Sophia, July 7, 1886, 5·10 P.M.*

BULGARIAN Government have submitted to Chamber a financial statement which includes the amount due to the Porte from Eastern Roumelia up to 1st March.

Mr. Caillard has tried to get an assurance that this amount will be paid to the Administration of the Debt before September, but Prime Minister declines to give it to him on the ground that he has no official character.

His Excellency has assured me that the Bulgarian Government are able and willing to pay, but they must first consult the Turkish Commissioners, who will probably arrive in about a fortnight.

His Excellency is alive to the necessity of coupon being paid, and has suggested that, in case the action of the Commissioners should seem likely to cause delay in the payment of the sum in question, with a slight deduction on account of Kirdjali, it might be advisable that I should officially ask that the payment should be made to the Administration of the Debt before September.

Would you authorize me to address a note in this sense to Minister for Foreign Affairs if the occasion should arise? It seems to be most important to obtain this payment before the coupon is due.

(Sent to Constantinople.)

No. 35.

Sir F. Lascelles to the Earl of Rosebery.—(Received by telegraph, July 7.)

(No. 170. Ext. 98.) *Sophia, July 7, 1886.*

My Lord,

A FINANCIAL statement has been submitted to the Chamber by the Bulgarian Government in which the amount due from Eastern Roumelia to the Porte up to the 1st March last year has been included.

Mr. Caillard has done his best to obtain from M. Karaveloff an assurance that this money will be put at the disposal of the Administration of the Debt at Constantinople before the month of September next, but M. Karaveloff has declined to give any assurance to Mr. Caillard as that gentleman does not occupy an official position here.

M. Karaveloff has, however, assured me that the Bulgarian Government are in a position to pay the money and are willing to do so, but that before doing so they are bound to consult the Turkish Commissioners, who are expected to arrive at Sophia in about a fortnight's time. His Excellency fully understands the necessity for the payment of the coupon, and he suggested to me that if it should appear probable that the action of the Commissioners might occasion delay in the payment of the money, from which a slight deduction on account of Kirdjali would have to be made, it might become advisable that I should address an official note to the Minister for Foreign Affairs to ask that the money should be paid to the Administration of the Debt before the month of September. As it seems to be a matter of great importance that the payment should be made before the coupon falls due, I have the honour to request to be furnished with your Lordship's instructions as to whether I should

address a note in the above sense to the Bulgarian Minister for Foreign Affairs if the danger should arise of the payment being delayed.

I have forwarded the above to Sir Edward Thornton.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 36.

The Earl of Rosebery to Sir F. Lascelles.

(No. 83.)
(Telegraphic.) *Foreign Office, July 9, 1886, 4·5 P.M.*

YOUR telegram No. 98.

Your proceedings approved. You may urge strongly the payment of the tribute, if necessary in writing, but your representations should continue to be unofficial.

No. 37.

Sir F. Lascelles to the Earl of Rosebery.—(Received July 19.)

(No. 171.)
My Lord, *Sophia, July 8, 1886.*

I HAVE the honour to report that Mr. Caillard, the representative of the English bondholders on the Administration of the Debt at Constantinople, left Sophia this morning.

As I had the honour to report in my despatch No. 168 of the 26th ultimo, Mr. Caillard was satisfied with the language held to him both by Prince Alexander and M. Karaveloff, but on his attempting to get a written assurance from M. Karaveloff that the money recognized by the Bulgarian Government as due to the Porte on account of Eastern Roumelia should be paid to the Administration of the Debt before the month of September, he was met by the argument that the Bulgarian Government could not pledge themselves to a person in an unofficial position, and must, moreover, consult the Turkish Commissioners, who were expected to arrive in about a fortnight, before making any payments at all. It is not improbable that these arguments, to which it is difficult to take exception, were suggested to M. Karaveloff by Gadban Effendi, who, perhaps influenced by the wish of having the credit of any satisfactory arrangement that might be come to, told Mr. Caillard on more than one occasion that his presence here was inopportune.

I venture to hold a different opinion, and although Mr. Caillard has not succeeded in obtaining a written assurance, I think he has brought home to M. Karaveloff's mind the necessity of the sum in question being paid in time to insure the payment of the coupon, and that it is not unlikely that M. Karaveloff would not have made the suggestion reported in my telegram No. 98 of yesterday if Mr. Caillard had not convinced him of the necessity of doing so.

M. Karaveloff has informed me that the financial statement in which the amount due from Eastern Roumelia is included, and which will form the subject of a further despatch, was drawn up before Mr. Caillard's arrival, and that the Bulgarian Government had determined to continue the payment on account of Eastern Roumelia, with a slight deduction on account of Kirdjali, up to the date of the Turco-Bulgarian Agreement, and to negotiate with the Turkish Commissioners as to the financial arrangements to take effect from that date.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 38.

Sir F. Lascelles to the Earl of Rosebery.—(Received July 19.)

(No. 172.) *Sophia, July 9, 1886.*

My Lord,

THE Bulgarian Government have presented a Bill to the Chamber to enable the Minister of Finance to issue Treasury bonds to the amount of 30,000,000 fr., for the purposes—

	Fr.
(*a.*) Of the construction of the Tzaribrod-Sofia-Vakarel Railway	17,000,000
(*b.*) The cash payment of a portion of the purchase-money of the Varna line ..	6,000,000
(*c.*) The payment of interest and sinking fund on the remainder of that purchase-money	5,363,050

These bonds are to be issued at par, as occasion requires, and not for a longer term than one year. The form of the bonds, as well as the amount of interest, and the mode of emission, will be left to the Minister of Finance, who must protect the fiscal interests of the country. The arrangements thus made will, after being approved by the Council of Ministers, be published in an Ukase to be issued by the Prince. The amount of interest payable on these bonds must be included in the Budgets for 1886 or 1887, according as the bonds are issued in the first or second of these years, and the Minister of Finance will be responsible to the Chamber for all operations connected with the emission of the bonds.

I have the honour to inclose a précis of the Report which M. Karaveloff submitted to the Chamber with this Bill, and which includes two Tables showing the financial situation of the country. On the debtor side of the account the amount due from Eastern Roumelia to Turkey up to the 1st March is included, as well as the debt of that province to the Ottoman Bank, and a sum of 1,300,000 fr. due to Baron Hirsch's Company for the transport of troops on the Eastern Roumelian Railway.

I have told M. Karaveloff that the Bulgarian Government appear to me to have acted very wisely in including these sums in their financial statement, as they thereby prove that they have no intention of trying to avoid the pecuniary obligations of Eastern Roumelia. I trusted that their recognition of these debts would have the effect of strengthening their credit, and I expressed my astonishment at the very satisfactory financial situation of the country, as set forth in the Report, which, however, showed pretty clearly that the Budgets for the last six years must have been perfectly fictitious.

I have, &c.

(Signed) FRANK C. LASCELLES.

Inclosure in No. 38.

Précis of the Report submitted to the Chamber by M. Karaveloff with the Bill to enable the Minister of Finance to issue Treasury Bonds to the amount of 30,000,000 fr.

THE National Assembly had voted a credit of 17,000,000 fr. for the construction of the Tzaribrod-Sophia-Vakarel Railway. The term fixed for the conclusion of the line was approaching, and the advance of the works rendered the payment of this sum necessary.

As soon as the arrangement concluded with the Varna Company should be sanctioned by the Chamber it would be necessary to provide the sum of 6,000,000 fr. for the portion to be paid down, and 5,363,050 fr. for interest and sinking fund on the remainder for the year 1886.

Recent events had occasioned expenses, to cover which it was necessary to have recourse to the reserve fund, and, at the same time, those very events which began on the 6th (18th) September last had made it very difficult to collect the arrears of taxes, or even the taxes themselves. In order to explain the financial situation the following Tables were drawn up, showing: (1) the means at the disposal of the Government on the 1st June (o.s.); (2) all the debts which remained unpaid on that date; and, lastly, the debts which were not foreseen in the Budget for 1886:—

Cr.	Fr. c.	Dr.	Fr. c.
1. (*a.*) Arrears for Northern Bulgaria for 1885	16,949,031 62	1. Debt of the former Eastern Roumelia to the Ottoman Bank, up to March 1 (o.s.), 1886, £ T. 127,375·37 × 24 fr. ..	3,059,222 80
(*b.*) Taxes not yet approved (cadastre and tenures)	1,560,000 00	2. Debt of the former Eastern Roumelia to the Porte, from September 1, 1885, till March 1, 1886, £ T. 92,000 × 24 fr. ..	2,220,000 00
2. Arrears for Southern Bulgaria	9,045,592 23	3. Debt to Russia for occupation	2,100,000 00
3. Cash in the Treasury on June 1	2,201,826 72	4. Debt to Railway Company for transport of troops in Southern Bulgaria	1,300,000 00
4. Advances on short terms for the purchase of tchiftlicks	800,000 00	5. Debt to Messrs. Krupp for orders of the Ministry of War, which should be taken from the extraordinary credit	813,361 00
5. Advances to the Agricultural Caisses in Southern Bulgaria during 1879 ..	239,293 50	6. Unpaid orders of the Ministry of War from the Budget of 1885	592,830 66
6. Advances to the Municipality of Philippopoli	222,124 00	7. Orders of the Ministry of War for cartridges and powder	711,584 10
7. Advances to the Agricultural Caisses of Tirnova, Plevna, and Widdin for 1883 ..	50,500 00	8. Requisitions in Northern and Southern Bulgaria	10,627,153 13
8. Advances in conformity with decision of Council of Ministers in 1881	769,610 22		20,647,051 95
9. Advances to the Political Cabinet and the Palace at Rustchuk, 1882	136,850 59	Remains to meet Loss	20,421,883 43
10. Capital of the National Bank	6,105,311 80		41,068,935 38
	41,068,935 38		

It appears clearly from the foregoing Tables that there are ample means to cover all the ordinary and extraordinary, as well as the unforeseen expenses, but there are valid reasons for not encroaching on the reserve fund, and in order to assist in the development of commerce and industry, it is absolutely necessary that the capital of the National Bank should be solely devoted to the purposes provided for in the Law and in the Statutes of the Bank, and it would be advisable to increase that capital by 10,000,000 fr.

The impossibility, moreover, of collecting the arrears of taxes in time to meet the payments for the National Railway, and the purchase of the Varna line, makes it necessary for the Government to ask for an advance.

No. 39.

Mr. Lang to Sir J. Paunceforte.—(Received August 10.)

Sir, *Pitt Lodge, South Norwood Park, August 9, 1886.*

I TAKE the liberty of sending you, inclosed, a part of the "Journal of the Society of Arts," containing a recent discussion on Cyprus, and specially as concerns the tribute. The question is of very great importance, as if the island could be declared self-supporting, its consideration in the eyes of the British public would be greatly enhanced. The operation I propose would give immediate relief and would not prevent future negotiations with the Porte on a larger basis.

The bonds of the Turkish Loan of 1855 are not obtainable on the Stock Exchange, and some time ago I was told were chiefly in the possession of the Bank of England. It seems to me unnecessary to continue to pay 4 per cent. to holders of bonds guaranteed by England and France.

Always at your disposal in any way, I am, &c.,

(Signed) L. H. LANG.

Inclosure in No. 39.

Extract from the "Journal of the Society of Arts" of June 4, 1886.

MR. HAMILTON LANG said that he had listened with much interest to the paper of Mr. Hake, having spent ten years in Cyprus. The progress which had been described by Mr. Hake was considerable, the chief features being the destruction of locusts, the establishment of a good system of justice, and the restriction on the destruction of the forests. The difficulties of the work imposed on our administrators, in the first years of the administration, could only fully be realized by one who had been obliged to master the details of administration in an Eastern country, details which they could only get through interpreters incompetent to give them, and on subjects totally novel to the Western mind. When he visited the island last year, after fourteen years' absence, nothing gave him greater pleasure than to notice the progress which had been made in one direction which Mr. Hake had not alluded to, being an example of it himself, and that was in our officials becoming able to do their work without the aid of interpreters. He found a large number of British officials, especially those engaged

in the administration of justice, who had acquired sufficient knowledge of the language to treat directly with the natives; this was an immense step, the results of which would be seen in the future. It was only through direct relations that you could enkindle sympathy between the governed and the governing, and only in that way could the higher officials use the more economical materials around them for the subordinate offices of the Government. No people were more susceptible to these direct influences than the Cypriots. When a peasant could tell his tale in his own language to his superior, he felt he had a fair hearing. He was delighted to hear, in Cyprus, encomiums passed on the administrators who were able to talk directly with the natives, and through them the natives got to understand the honesty, impartiality, and devotion, which chacterized the English. The Chairman must excuse his repeating in his presence what he had often said before, that in his six years' administration of the island he gave the highest example of these qualities. The men who worked there so laboriously deserved the utmost sympathy and honour, all the more because of the exceptional difficulties in their way, and the ungrateful character of their work, on account of the heavy burden of tribute. They were a good deal like the Israelites in Egypt, who had to make bricks without straw.

To show how heavy was the burden of taxation, he would compare it with that of one of our own Colonies. In New South Wales the export trade was about 13,000,000*l.* per annum, while its taxation amounted to 3,000,000*l.* In other words, the taxation was about one-fourth of the money received from abroad through its exports. In Cyprus, 180,000*l.* was taken out of the island in taxation, and the export trade was only 280,800*l.* Thus, over and above every 1*l.* of taxation taken from New South Wales, 3*l.* was received from abroad; whereas in Cyprus, over every 1*l.* of taxation only 11*s.* was received by the island. The consequence was that capital did not accumulate; if it was not killing the goose which lay the golden eggs, it was starving her so that she could hardly lay an egg at all. The great benefit of this paper was that it showed the necessity of doing something to ameliorate this condition. The three remedies suggested were the purchase of the fee-simple, the construction of a railway and harbour, and the extension of forests. He quite agreed that something should be done to relieve the island of some portion of the tribute to the Porte, but with regard to the purchase proposed, he feared great difficulties would be raised by the British Treasury. The tribute was not paid to the Sultan, but was retained as part payment of the loss sustained by England and France in paying the deficiency on the guaranteed Turkish Loan of 1855, of 5,000,000*l.* That loan required 160,000*l.* per annum for interest alone, without any sinking fund; 70,000*l.* was obtained from Egypt, and the remaining 90,000*l.* had to be paid by England and France; and to meet this the tribute from Cyprus came in. Therefore, not only England but France would object to giving the Sultan anything as an equivalent for the tribute of Cyprus. He had thought a good deal on this subject, and the plan he should prefer was this. To pay off the 3,700,000*l.* remaining of the Turkish Loan, by borrowing a similar amount at 3 per cent., plus ½ per cent. for a sinking fund; 130,000*l.* per annum would be all that was thus required. Towards that there would be the 70,000*l.* received from Egypt, leaving only 60,000*l.* to come from Cyprus, or an economy of 30,000*l.* a-year, which would be a great relief to her, and also to the British taxpayer, because at present Cyprus could not pay the 92,000*l.*, and a grant in aid had to be made every year.

No. 40.

Mr. Fairfield to Sir P. Currie.—(*Received September* 25.)

Downing Street, September 18, 1886.

Dear Sir Philip Currie,

WE are writing to you officially, sending you our letters to the Treasury about the Cyprus tribute commutation for your opinion.

I inclose a copy of our private correspondence on the subject. We have cut out of our letter the part where it was suggested that France might be invited to raise 1,000,000*l.* or so towards the transaction.

I notice that Mr. Bertie talks of giving the Sultan something to agree to the bargain. As there is 12,000*l.* a-year left to him, this might be effected by capitalizing that and giving it to him as a lump sum, of which he must be sorely in need. Say thirteen years' purchase of it. If you at the Foreign Office think well of the idea, you might suggest it in reply to our letter.

Yours, &c.
(Signed) E. FAIRFIELD.

Inclosure 1 in No. 40.

Mr. Fairfield to Sir P. Currie.

(Private.)

Dear Sir Philip Currie, *Downing Street, September* 3, 1886.

MR. STANHOPE desires me to send you the accompanying papers about the Cyprus tribute commutation privately.

You will see that on the 17th July Lord Granville made certain proposals on the subject to the Treasury. On the 19th August, in writing a brief supplementary letter, Mr. Stanhope took occasion to express his concurrence in Lord Granville's views.

Lord Randolph Churchill has spoken to him about it, and said that he feels inclined to do what he can, but that as our proposals of the 17th July last involve certain questions of foreign policy, he thinks we ought to get you to back us up, or at all events to say that our proposals, as far as they touch questions of foreign policy, are not impracticable.

Our main proposal is that the Guaranteed Loan of 1855 should be paid off to the extent to which the present payments of interest come out of the Cyprus tribute, that is, to the extent of over 2,000,000*l.*, Cyprus paying the same interest to the Power or Powers that raised the money, as those Powers pay to the lenders from whom they borrowed the money, and thus obtaining the benefit of the difference between 4 per cent. and 3½ per cent., on about 2,000,000*l.*, or, say, 15,000*l.* a-year, the balance of the original tribute, about 12,800*l.*, being in future paid to Turkey, when arrears and counter-claims are wiped out. The Law Officers have recently advised you that you cannot apply any portion of the Cyprus tribute to paying claims of British subjects on the Porte.

It is part of our proposal, but not an essential part, in fact it was an afterthought, that France should be invited to go halves in borrowing the 2,000,000*l.* necessary for this operation. France has no inducement to do so, except that of gratitude for our conduct in diverting the tribute in her favour since 1881; but you will know whether, in the present temper of France, this motive would be likely to prevail. Our proposal stands good even if the part about asking France to help in raising the money is put aside. It will be simply a question of our adding 2,000,000*l.* instead of 1,000,000*l.* to our own debt.

There remains the question how far it is necessary to consult Turkey, and whether we could practically do what we propose without obtaining Turkey's consent. Turkey has never assented to our estimate of the tribute. Its claim is, I believe, for £ T. 130,000, or about 107,000*l.* It would be sure to revive this dormant question if applied to for its consent, besides raising the usual dilatory issues, as in the Cyprus Sultan's land claims. My own idea is that if we proceed at all, we must do so without *consulting* Turkey, although, of course, informing her.

When we get before Parliament with our Bill for raising money, if ever we get there, we shall probably be asked why we have not taken the occasion to buy up the rights of the Sultan to sovereignty out and out. I do not think he would part with them, nor do I think they are worth buying. We find the present anomalous state of things no practical disadvantage at all. We feel as free, in all essential matters, as in any other Crown Colony. If we do not fortify Cyprus, it is because there are more vital points on which to spend our money. The present proposals must therefore be considered quite apart from the cry for "buying out the Sultan," which is being constantly raised by Sir S. Baker, and is indorsed by Brackenbury.

If you look at the paper Cyprus No. 5867 of 1885, that there was no idea here in 1885, when the Bulgarian affair first broke out, of buying the tribute up by a direct payment to Turkey of ready money, which we could have got on the Stock Exchange, and for such a payment Turkey might possibly have ceded its now shadowy "sovereignty" over the island; but that idea of 1885 would have amounted to declaring war on the Treasury, and although we hold it as a "pious opinion," we are not at present going to press it.

If you have time to read the principal papers, perhaps you will write and let me know, for Mr. Stanhope's information, whether it would be of any use for us to bring before you officially our letter of the 17th July, with a view to obtaining your official concurrence in our proposals, or whether you would like us to modify it. In the meantime, Lord Randolph Churchill has, I understand, told the Treasury to suspend an answer to our letter.

Yours, &c.
(Signed) E. FAIRFIELD.

Inclosure 2 in No. 40.

Sir P. Currie to Mr. Fairfield.

(Private.)

Foreign Office, September 4, 1886.

Dear Mr. Fairfield,

I SEND you a Minute by Bertie on your letter about the Cyprus tribute. I do not think that we should get the French to move in the matter, and if we wait for the assent of Turkey, the operation will be deferred to the dim and distant future. But will the Treasury allow Cyprus to reap the benefit of the arrangement? I believe they will impound any saving in order to apply it to a sinking fund.

And if they do not, would not Turkey be entitled to the amount rather than Cyprus? We have hitherto only claimed to deduct from the tribute the sum necessary to make good the deficiency in the interest of the 1855 Loan, but if 66,639*l.* suffice to make good that deficiency, what right have we to keep back the difference between 66,639*l.* and 81,753*l.*, because the latter amount was required for the purpose before the proposed operation has taken effect? Between the Treasury and the Turk, I don't see how you are to get anything for the Cypriotes. If the tribute had not been impounded for the loan, we might have watched our opportunity, and when the Turk was in a very tight place, have capitalized the tribute advantageously, and relieved Cyprus of a great part of the burden. But as matters stand, the island is sacrificed for the British taxpayer.

This is only my private view; and if you require something more formal, will you kindly come and talk the matter over with me?

Yours, &c.

(Signed) PHILIP W. CURRIE.

Inclosure 3 in No. 40.

Minute by Mr. Bertie.

I THINK that it would be a mistake to give France a lien, even an indirect one, on Cyprus. (See p. 13, Colonial Office to Treasury, 17th July, 1886.)

I think that it would be a waste of time and useless to consult Turkey, but that the Porte should be informed of our intention to proceed, and I would, if possible, give the Sultan an interest in the matter by offering him a share—a very small one—in the profit to be realized by the conversion, and treat such small share as a settlement of his claim, which we have not admitted, for a larger surplus than hitherto allowed to him.

Perhaps the Porte might prefer a lump sum, and if the matter were judiciously handled at Constantinople, the proposal for such an arrangement to wipe out the tribute might be made to emanate from the Turk.

F. B.

September 4, 1886.

No. 41.

Sir R. Herbert to Sir P. Currie.—(Received September 25.)

Downing Street, September 24, 1886.

Sir,

I AM directed by Mr. Secretary Stanhope to transmit to you, to be laid before the Earl of Iddesleigh, for his consideration, copies of three letters, and their inclosures, which have been recently addressed by this Department to the Treasury, relative to the commutation of the greater portion of the Cyprus tribute by a financial operation, which, if it were agreed to by the Treasury, and could be carried out consistently with the principles of our foreign policy, would afford material financial relief to Cyprus.

It will be seen that the plan sketched out in the Colonial Office letter of the 17th July last implies that the Ottoman Porte should be invited to concur in, or at all events informed of the measures proposed by Her Majesty's Government; and I am therefore to inquire whether the plan, if approved by the Treasury on financial grounds, is one which Lord Iddesleigh would be prepared to propose to Turkey.

Should the Porte fail to concur, or protract the discussions unduly, the further measures to be taken would be for consideration.

I am to add that, by an arrangement with the Treasury, their Lordships' final opinion

on the Colonial Office proposals will be withheld until they have before them Lord Iddesleigh's views.

I am, &c.

(Signed) ROBERT G. W. HERBERT.

Inclosure 1 in No. 41.

Sir R. Herbert to Sir R. Welby.

Downing Street, July 17, 1886.

Sir,

I AM directed by Earl Granville to transmit to you the following documents relative to the Cyprus tribute:—

1. A copy of a despatch of the 12th March, 1885, from the High Commissioner of Cyprus, forwarding a Resolution adopted by the Legislative Council of that island relative to the burden of the tribute.

2. A copy of a confidential despatch from Sir Robert Biddulph, dated the 30th January last, proposing that the tribute should be commuted by a direct payment to Turkey of thirteen years' purchase.

3. An extract from the Address, dated the 5th March, 1886, of the Legislative Council of Cyprus, in reply to the High Commissioner's speech, repeating the unanimous prayer of the whole population for the reduction by any possible means of the tribute now paid to the Sublime Porte, which (they urge), so long as it remains intact, will continue to absorb the vital powers of the island.

The tribute amounts to a burden of almost exactly 10*s.* a-head on every inhabitant—man, woman, and child,—in Cyprus, the average net income of the island being somewhere about 4*l.* a-head, or under. To collect from the people and send out of the country so large a sum adds greatly to the difficulties of administration, and is calculated to retard the progress of the country.

Restricted as are the operations of the Government in the way of effecting improvements, and parsimonious as is the scale of administration, it is yet found impossible to provide the whole of the tribute from the balance of local revenue over expenditure, and the entire tribute being due by England to Turkey under Treaty, the Imperial Exchequer is practically pledged to find the balance of deficiency, and this obligation has been in effect acknowledged by the Treasury, which has obtained from Parliament grants-in-aid to the amount of 256,000*l.* (excluding the sum voted for the Pioneers in 1879), and has put down a grant of 20,000*l.* more in the Civil Service Estimates for the present year.

It was at one time hoped that the burden of these grants-in-aid might be diminished to a very trifling sum, or might even wholly disappear; but the depression of prices, the shrinkage of trade, and the fall in the value of property, seem now to preclude any definite hope in that direction, at all events for the present.

If a burden of some sort is to be regarded as practically permanent, it may be a question whether it would not be wise to undertake some financial operation which would at once relieve the Imperial Exchequer and immediately or ultimately relieve Cyprus from the burden under which now, as in Turkish times, it is weighed down.

Lord Granville understands that the present interest on the loan borrowed by Turkey under the guarantee of England and France amounts to 152,608*l.*, of which 72,000*l.* is provided out of the Egyptian revenue, and 80,608*l.* out of the Cyprus tribute, the latter representing 2,015,200*l.* of stock at 4 per cent.

Lord Granville does not at present propose to authorize the High Commissioner for Cyprus to renew any negotiation for commuting the tribute by a direct payment to the Sultan, such as proposed by Sir R. Biddulph in his despatch of the 30th January last; but he would suggest that, with the concurrence of the Sublime Porte, and under the authority of Parliament, as much stock might be issued by England as would suffice to pay off the 2,015,200*l.* of the Guaranteed Loan for which the Cyprus tribute provides the interest, Cyprus paying to England the sum necessary to provide interest on this issue of stock, and the tribute to Turkey being reduced to nearly 12,200*l.*, that is, the difference between the full amount, 92,800*l.*, and the sum at present necessary for the service of the Guaranteed Debt.

It is obvious that Great Britain would not substantially increase its liabilities by this transaction, as it is at present liable both for half the Guaranteed Loan and for the whole of the annual Cyprus deficit, whatever it may be.

Lord Granville does not suggest any sinking fund at present, as in case of one being

created, the immediate relief to Cyprus and the Imperial Exchequer would be so trifling as not to be worth the trouble of procuring by the operation suggested in this letter. But power might be taken to create a sinking fund when the finances of the island justified such an operation, so as to ultimately extinguish the payments altogether; and in this connection I am to remark that Earl Granville does not agree in the view expressed by Sir R. Biddulph in his despatch of the 30th January (paragraph 2, sub-section B) that when the debt was paid off by the operation of the sinking fund, the payments to Turkey would revive. It would obviously be part of the arrangement with Turkey that as far as the tribute is at present diverted for the service of the Guaranteed Debt, it would be for ever extinguished as far as Turkey is concerned.

Earl Granville understands that there are certain expenses of management connected with the loan which at present amounts to 1,145*l.* on the whole debt of 3,815,200*l.* If the capital was diminished by 2,015,000*l.*, the expenses of management would, no doubt, be greatly lessened; but whatever they were, Lord Granville would point out that they could be deducted out of the diminished tribute of 12,200*l.* per annum.

Having made these observations, Lord Granville leaves the whole matter to the favourable consideration of their Lordships, hoping that they may see their way to making some arrangement which will afford relief both to the heavily-burdened people of Cyprus and to the British taxpayer.

I am, &c.
(Signed) ROBERT G. W. HERBERT.

Inclosure 2 in No. 41.

Governor Sir R. Biddulph to the Earl of Derby.

Nicosia, March 12, 1885.

My Lord,

I HAVE the honour to transmit a copy of a Resolution which was passed by the Legislative Council on the 6th instant, requesting me to submit to your Lordship the wishes of the Council that Cyprus might be relieved of the heavy tribute to the Porte which now burdens its Exchequer. It was suggested by Mr. Zeno Pierides, the mover of the Resolution, that it might be possible for Her Majesty's Government to induce the Porte to accept a less sum than that now payable. I therefore thought it necessary to say a few words on the subject.

I informed the Council that I would forward their Resolution, but it was highly improbable that Her Majesty's Government would enter into any negotiations on the subject with the Sublime Porte. I quoted from papers laid before Parliament in 1880 and 1881 to show that Her Majesty's Government are satisfied that the sum now paid to Turkey is not in excess of what is properly payable under the provisions of the annex to the Convention of the 4th June, 1878, and that it would not be in accordance with the engagements of England to Turkey to put any pressure upon the latter in this respect.

I stated, however, that it was possible that some financial arrangement might be made by the Lords Commissioners of the Treasury, which would have the result of diminishing the amount to be annually paid by Cyprus, and that it was in this direction that we must look for an alleviation of the tribute.

It does not fall within the scope of this despatch to make suggestions as to any such financial arrangement. The question is one that has been considered from time to time since the early days of the British occupation of Cyprus, and I have only to submit the Resolution for the favourable consideration of Her Majesty's Government.

I have, &c.
(Signed) ROBERT BIDDULPH.

Inclosure 3 in No. 41.

Resolution.

RESOLVED,—That this Council respectfully request their President, his Excellency the High Commissioner, to lay before Her Majesty's Secretary of State for the Colonies the wishes of this Council towards relieving the island from its heavy burden, viz., the tribute paid to the Sublime Porte, which absorbs to a very considerable extent its

resources, and which is a perpetual and insurmountable obstacle to its progress and prosperity.

Mover:
(Signed) Z. D. PIERIDES.
Supporters:
(Signed) D. L. NICOLAIDES.
EVSTATHIOS CONSTANTINIDES.

Passed unanimously in Council this 6th day of March, 1885.
(Signed) H. M. SINCLAIR, *Captain, R.E.*,
Clerk of Council.

Inclosure 4 in No. 41.

Governor Sir R. Biddulph to Colonel Stanley.

(Confidential.)

Sir, *Nicosia, January* 30, 1886.

WITH my despatch of the 12th March, 1885, I transmitted to the Earl of Derby a copy of a Resolution passed by the Legislative Council, having reference to the annual payment made to Turkey on account of Cyprus. I am not aware whether any special consideration has been given to this question by Her Majesty's Government, but it is probable that some inquiry will be made on the subject during the approaching Session of the Legislative Council, and I therefore think it desirable to bring the matter again to notice before I leave Cyprus.

2. The tribute being for the present affected to the service of the Guaranteed Loan of 1855, an obvious method of reducing the annual payment suggests itself by raising money at 3 per cent. to pay off that loan; but if that course were adopted, it would hardly be satisfactory in the end, for one of the two following results would follow, viz.:—

(*a.*) The reduced payment would be a perpetual one, no margin being left for a sinking fund.

(*b.*) If a sinking fund were established, then when the loan is paid off, the tribute due to Turkey would revive, and Cyprus would again have to pay 92,800*l.* a-year.

3. It appears to me, therefore, that the Loan of 1855 must be entirely put aside, and I only mention it because it has been suggested in other quarters that the present guarantee of that loan might be reduced to 3 per cent. in favour of Cyprus by the method above indicated.

4. The only satisfactory way of dealing with the tribute will be by capitalizing it under an Agreement with the Sublime Porte, as was attempted in 1879. The present time is apparently suitable, because I understand that the Ottoman Government is very much in want of ready money in consequence of the military expenses incurred in connection with Eastern Roumelia and Greece.

5. The sum offered in 1879, and accepted, subject to certain conditions which were not considered satisfactory, was 1,350,000*l.* This sum was based on an estimate that 100,000*l.* would be found to be the annual tribute due, and that about 50,000*l.* was already due for the year 1878-79. Therefore, thirteen years' purchase was offered, in addition to the sum already due. The same terms might be offered now, viz., 1,206,400*l.* (being thirteen years' purchase of 92,800*l.*), in addition to the sum due and accruing for 1885-86. It is even possible that a smaller sum might be accepted.

6. In making this proposal I assume that the arrangement whereby the tribute is affected to the service of the Loan of 1855 is a temporary one, and can be abrogated either by England or Turkey. Indeed, no other arrangement would be just to Cyprus.

7. As the dividend of the 1855 Loan payable next August will be secured by the Cyprus payment due for 1885-86, ample notice will be given to France before the next dividend becomes due in February 1887. Independently of the benefit to the people of Cyprus which will follow the capitalization of the tribute, the benefit to Her Majesty's Government, by extinguishing at once all demands for Parliamentary grants for Cyprus, will be very great.

I have, &c.
(Signed) ROBERT BIDDULPH.

Inclosure 5 in No. 41.

Extract from the Address of the Legislative Council in reply to the Speech of his Excellency the High Commissioner, presented on the 5th March, 1886.

IN conclusion, we think it a duty incumbent upon us to repeat the unanimous prayer of the whole population for the reduction by any possible means of the tribute now paid to the Sublime Porte, which, so long as it remains intact, will continue to absorb the vital powers of the island.

Inclosure 6 in No. 41.

Sir R. Herbert to Sir R. Welby.

Downing Street, July 29, 1886.

Sir,

WITH reference to the letter from this Department of the 17th instant, I am directed by Earl Granville to transmit to you, for the consideration of the Lords Commissioners of the Treasury, copies of two despatches from Sir Henry Bulwer, the present High Commissioner of Cyprus, inclosing Resolutions by the Legislative and Executive Councils on the subject.

The last inclosure in Sir Henry Bulwer's despatch of the 1st July has not yet been received. It will be duly communicated to their Lordships as soon as it is to hand.

I am, &c.

(Signed) ROBERT G. W. HERBERT.

Inclosure 7 in No. 41.

Sir H. Bulwer to Earl Granville.

Government House, Mount Troödos, July 1, 1886.

My Lord,

REFERRING to Sir R. Biddulph's despatch of the 13th March, 1885, I have the honour to inform your Lordship that the subject of the amount annually payable by Cyprus to the Sublime Porte under the Convention of 1878, was again brought up during the recent Session of the Legislative Council, and a Resolution passed expressing the earnest desire of the Council that some means might be found, consistent with the Treaty obligations of Great Britain, for commuting or reducing the sum paid annually to the Porte.

2. This Resolution was sent to me with the request that I would bring the wishes of the Council, as above expressed, under the favourable consideration of Her Majesty's Government; and I have accordingly the honour to inclose herewith copies of the Resolution and of the covering communication addressed to me, together with an extract from the records kept by the Clerk to the Council relative to the discussion that took place on the occasion.

3. The purport of the Resolution is not, it seems to me, otherwise than in accordance with the fullest respect both for the Treaty obligations of Her Majesty's Government and for the rights of the Porte. The question is if a way can be found, consistently with the Treaty obligations and with the arrangements which have been entered into, to lighten the charge at present borne by this island. It has been suggested that such a way might possibly be found by the payment of a lump sum in commutation for the annual amount now paid to the Porte; and if this could be done, it is thought that a loan could be raised, the interest and charges for which would be less than the amount now annually payable, to the relief both of Her Majesty's Government and of the island.

I have, &c.

(Signed) H. BULWER, *High Commissioner.*

Inclosure 8 in No. 41.

Resolution.

Resolved,—That a humble Petition be presented by this Council to his Excellency the High Commissioner, praying that he will be pleased to represent to Her Majesty's

Government the earnest desire of this Council that some means should be found, consistent with the Treaty obligations of Great Britain, for commuting or reducing the sum paid annually to the Porte by Cyprus.

Inclosure 9 in No. 41.

Petition.

To his Excellency Sir Henry Earnest Bulwer, Knight Grand Cross of the Most Distinguished Order of St. Michael and St. George, Her Majesty's High Commissioner and Commander-in-chief of the Island of Cyprus.

Your Excellency,

THE Legislative Council beg respectfully to submit to your Excellency the accompanying Resolution which was passed by the Council on the 17th instant, and to ask your Excellency to be pleased to bring the wishes of the Council, as therein expressed, under the favourable notice of Her Majesty's Government.

(Signed) G. SMITH, *Clerk of Council.*

At Nicosia, the 21st day of April, 1886.

Inclosure 10 in No. 41.

Extract from the Minutes of the Legislative Council, April 17, 1886.

MR. PIERIDES then moved the following Resolution:—

"The Chief Secretary, having stated that no reply had yet been received from the Secretary of State for the Colonies to the motion of the 6th March, 1885, respecting the tribute paid by the island to Turkey which was unanimously passed, it is resolved that a humble Petition be presented by this Council to his Excellency the High Commissioner, praying that he will be pleased to represent to Her Majesty's Government the earnest desire of this Council that some means should be found, consistent with the Treaty obligations of Great Britain, for commuting or reducing the sum paid annually to the Porte by Cyprus."

Mr. Pierides referred to the manner in which the interests of the island were affected by the tribute. He considered that the payment might be commuted for the sum of about 1,000,000*l.*, which, if guaranteed by England, could be raised as a loan at 3½ per cent. This would cost the island 35,000*l.* per annum, and, looking to the excess of revenue over expenditure, would leave a large surplus to be devoted to the island. Taxation could be reduced, and agriculture, the only source of wealth to the island, could be encouraged. He feared that the figures on which the amount of tribute had been based had been exaggerated, and the payment had been made in gold instead of *métallique*. He hoped Her Majesty's Government would see their way to doing something.

Mr. Nicolaïdes seconded the motion.

The Queen's Advocate stated that everybody who took an interest in the island agreed to the advantages that would accrue if it were relieved of the tribute. Government Members stood in a peculiar position in such matters as the present motion, but he felt sure that such a Petition would find its way to the right quarter.

The motion was agreed to, and the Clerk was instructed to embody it in an address to the High Commissioner.

Inclosure 11 in No. 41.

Sir H. Bulwer to Earl Granville.

(Confidential.)

Government Cottage, Troödos, Cyprus, July 1, 1886.

My Lord,

IN connection with my despatch of this date, I have the honour to forward, for your Lordship's information, an extract from the Minutes of the Executive Council containing an expression of the opinion of the Council, before whom I laid the Resolution of the Legislative Council for their consideration, on the subject of the annual payment

now made by Cyprus to the Sublime Porte, and of the proposal that this should be commuted or reduced.

I have, &c.
(Signed) H. BULWER, *High Commissioner.*

Inclosure 12 in No. 41.

Extract from the Proceedings of the Executive Council, June 11, 1886.

THE Council having taken into consideration the Resolution adopted by the Legislative Council on the 17th April, 1886, regarding the commutation or reduction of the sum paid annually to the Sublime Porte by Cyprus, is of opinion that the payment of the surplus revenue of the island to the Porte, being a payment out of the country of nearly half its gross revenue, is a drain upon the resources of the community, which tends to check the development of its wealth and the growth of its prosperity; and that it is of paramount importance to the interests of Cyprus that some method should be adopted for reducing the amount annually payable.

The Council is further of opinion that the most practicable way of attaining this object would be by the commutation of this annual payment for a lump sum, to be raised by a loan, the interest on which should be a first charge on the revenues of Cyprus.

It would also suggest that Her Majesty's Government should be asked to allow the loan to be raised on the guarantee of Great Britain.

(Signed) T. J. CHAMBERLAINE,
Clerk, Executive Council.

Inclosure 13 in No. 41.

Mr. Meade to Sir R. Welby.

Downing Street, August 19, 1886.

Sir,

WITH reference to the letter from this Department of the 29th July on the subject of the commutation of the Cyprus tribute, I am directed by Mr. Secretary Stanhope to transmit to you a copy of the inclosure to Sir Henry Bulwer's despatch of the 1st July, which did not arrive with the despatch itself.

I am to take the opportunity of expressing Mr. Stanhope's concurrence in the views and recommendations of Earl Granville, as contained in the letter from this Department of the 17th July, and to express a hope that they may receive their Lordships' most favourable consideration.

I am, &c.
(Signed) R. H. MEADE.

Minutes of preceding Letter.

I think that it would be a waste of time and useless to consult Turkey on an elaborate scheme. The Porte would be sure to view with suspicion any such scheme, and it would be better that proposals should, if possible, be made to emanate from Turkey.

It would, I submit, be advisable only to inform the Porte in general terms that Her Majesty's Government are considering means for permanently relieving Cyprus of a portion of the heavy annual burden thrown on it by the hypothecation of its revenues to the guarantee of part of the 1855 Loan, and that Her Majesty's Government are ready to give due consideration to any suggestions which the Porte may desire to make for relieving Turkey from the liability for the capital for which Cyprus finds the interests, provided they can be entertained with due regard to the respective obligations of Turkey and England and the welfare of Cyprus.

We have always held that the *surplus* revenue is payable to the Sultan alone, and not to any third party to whom he may assign his interest in it. It would be well to give His Majesty an interest in the relief of Cyprus by holding out to him the prospect of personal gain in the matter, either by an increased surplus or a lump sum in extinction of his claims. As he is probably very short of money at the present moment, the

communication to the Porte of the matter being under consideration by Her Majesty's Government might, if judiciously made, produce a proposal from the Turks for the liquidation of the tribute by a capital sum.

If no reply came from the Porte, or if there should be undue delay, we could then either make our proposals or proceed to carry them out, merely informing the Porte of them, which would probably be better.

F. B.

September 30, 1886.

Minute by Sir James Fergusson.

Sir Julian Pauncefote has asked me to take this case.

The Colonial Office have submitted to the Treasury (under the late Ministry) a scheme for the relief of the revenues of Cyprus and of the British revenue, of which Mr. Secretary Stanhope approves.

This may be taken to be confined to the paying off so much of the Guaranteed Turkish Loan of 1855 as that of which the interest is defrayed out of the Cyprus tribute, viz., 80,608*l.*, a-year, representing 2,015,200*l.* stock at 4 per cent., by an issue of British Government stock of a corresponding amount, whereby the revenue of Cyprus would be relieved of about 15,000*l.* a-year.

The concurrence of Turkey could only be expected by a pecuniary advantage, and possibly the capitalized value of the tribute (12,800*l.*) in excess of the 80,000*l.* hypothecated to the service of the Guaranteed Loan might suffice.

Thirteen years' purchase seems a low estimate of what would be sufficient. It would amount to 166,400*l.*, and, with British security, it is surely worth twenty or twenty-five years' purchase, *i.e.*, 256,000*l.* or 320,000*l.*

As the Loan of 1855 is provided for by the hypothecation of the Cyprus tribute to the extent of 80,000*l.*, it appears to be a matter of no concern to the Porte if that portion of the loan is paid off, though it would be proper in courtesy to inform it.

It would, however, be satisfactory that the tribute should be extinguished, and as the necessary financial transaction for the extinction of 2,000,000*l.* of the loan would be little increased by providing for the remaining 12,000*l.* of tribute, it appears desirable that Sir William White should endeavour to procure an arrangement for that purpose on the best terms obtainable.

I do not see why France should not be at the same time invited to concur in an arrangement to relinquish the whole of the Loan of 1855, seeing that she is interested in some portion at least of the loan secured on the Cyprus tribute, and must be informed of the transaction. But if the negotiations about the remission of Egyptian tribute to the extent of 72,000*l.* would be inconvenient, that matter need not be considered.

The conclusion, as far as the Foreign Office is concerned, is that a communication to the Porte is necessary, and that if the Treasury are desirous of accomplishing an entire extinction of the Cyprus tribute, Her Majesty's Ambassador might feel his way to the extended operation.

Mr. Lang's proposal does not greatly differ from that of the Colonial Office, only that he would deal with the entire remaining loan.

J. F.

November 15, 1886.

This letter came while I was on leave, and I had not seen it.

There are one or two points to be borne in mind in regard to any negotiation with the Porte.

1. The Sultan has never ratified the Convention under which we occupy Cyprus. He attached a reservation to his ratification which we would not accept.

It may be anticipated that he will show some suspicion of any transaction which would look like our buying the island out and out.

2. We have never made any payment to the Porte on account of the balance of tribute over and above the amount required for the interest of the Loan of 1855. That balance is about 11,000*l.* a-year. For two years it was retained—against the protest of the Porte—in order to reimburse the ransoms paid by us for the ransoms of Messrs. Synge and Suter from brigands. Since then the Treasury have kept it towards the creation of a sinking fund for the 1855 Loan, which the Porte has failed to provide as stipulated in the Convention; but

3. The Cyprus tribute is pledged to the service of the general Ottoman Debt by th arrangement of November 1881, and I fancy that any payments, whether annual or in lump sum, would go—not to the Turks—but to the bondholders.

It is doubtful, therefore, whether there would be any inducement to the Sultan to come to arrangements for capitalization, if such arrangements are in other ways distasteful to him.

Qy. Send to Sir W. White the Colonial Office letter with Sir James Fergusson's Memorandum for observations.

T. H. S.

Foreign Office, November 20, 1886.

Our great aim should be to get what may be termed the "freehold" of Cyprus in lieu of our present anomalous and most inconvenient tenure of the island, which is undoubtedly of the utmost value strategically, and if turned into a real British Colony, would become a splendid possession. I think we should reserve all our efforts and sacrifices for the time when a prospect offers of effecting that end, and I agree with Mr. Sanderson that the present time is not opportune for starting the proposed scheme—which might frighten the Sultan, and, in fact, would be of doubtful benefit to him. The benefit to Cyprus would be hardly great enough to counterbalance the inconveniene of opening up this subject with Turkey at the present time.

Qy. Sir W. White as proposed.

J. P.

Foreign Office, November 22, 1886.

I think this is all we can do with advantage at the present moment. The question must be borne in mind, as it is quite possible that a favourable opening may occur by-and-by.

I.

No. 42.

Sir E. Malet to the Earl of Iddesleigh.—(*Received October* 16, 1·20 P.M.)

(No. 130. Confidential.)
(Telegraphic.)

Berlin, October 16, 1886, 12·30 P.M.

A PERSON, upon whose authority I can rely, informs me that the Porte is going immediately to endeavour to raise a loan of 2,000,000*l.*, offering fair security. My informant says that if England would help the Porte in this matter the Sultan's attitude towards us would undergo a complete change. On the other hand, he fears that Russia may be first in the field, and facilitate the loan to gain a better hold.

No. 43.

The Earl of Iddesleigh to Mr. Fane.

(No. 233. Secret.)
(Telegraphic.)

Foreign Office, October 19, 1886, 4·5 P.M.

SIR E. MALET is informed that the Porte will endeavour at once to raise a loan of 2,000,000*l.*, offering fair security.

His informant adds that, if we could help the Porte, the Sultan's attitude towards us would change, but that Russia will probably facilitate the loan to gain a better hold.

Can you ascertain anything as to the intended loan and security offered?

No. 42*.

Sir E. Thornton to the Earl of Iddesleigh.—(*Received October* 13.)

(No. 501.)

Therapia, October 7, 1886.

My Lord,

I HAVE the honour to communicate to your Lordship the following information respecting the financial condition of this country, which may be of interest to your Lordship.

Thanks to the energetic measures taken by the Government, the financial condition of the Empire was more favourable than it had been for some time before, when the events of the 18th September, 1885, in Bulgaria took place. Had it not been for these events the Ministry of Finance would have been in a position to complete the payments of the year 1301, and to arrange that in 1302, beginning the 1st March, 1886, the salaries of the officials and of the army should be paid, the stores for the army and navy departments should be provided, and a portion of the indemnities due to the Russian Government and certain Russian merchants should be satisfied; and, further, that the interest and the sums due to bankers during the period of this Budget should be paid up, and the floating debt settled.

The events in Bulgaria dealt a severe blow at the financial situation of the Empire, and upset all the proposals for the Budget contemplated by the Sublime Porte.

Orders were given to mobilize; more than 500,000 men were called to arms, and within a short time were equipped, armed, and dispatched to the frontier.

Since that time the Government has required £ T. 300,000 a-month to meet its extraordinary military expenditure.

£ T. 200,000 were, and are still, absorbed by the War Office, and £ T. 100,000 by the other military departments.

To this sum, not anticipated in the Budget, must be added the sum of £ T. 1,500,000 appropriated for the purchase of guns, torpedo-boats, and other war material.

The Government, with a view to providing itself with means to meet these urgent calls, granted a prolongation to the Cassaba Railway, which produced £ T. 800,000, and concluded a Convention with Baron Hirsch, which realized £ T. 1,000,000.

Further, the Government having arrived at an understanding with the Imperial Ottoman Bank for the settlement of outstanding debts, the Bank opened an account current of £ T. 800,000, which might eventually be raised to £ T. 1,000,000.

The various financial establishments of Galata have still to receive for advances made to the Government at various times the sum of £ T. 2,000,000. The Government will issue bonds, bearing interest at 5 per cent., with 1 per cent. sinking fund, guaranteed by the revenues of the Customs and by this year's tithes.

The abolition of the system of collection of tithes by the State, and the establishment of a system of farming the tithes, will this year produce a gain of about £ T. 1,000,000.

But as the revenues of the tithes will only be collected by graduating payments up to the 1st March, the Treasury was obliged to at once contract a loan of £ T. 500,000 to meet the most pressing necessities, particularly for the disbanding of the troops on the frontier of Greece, and also for the formation of two corps d'armée at Cassova and Adrianople.

I have, &c.
(Signed) EDWD. THORNTON.

No. 44.

Mr. Fane to the Earl of Iddesleigh.—(*Received October* 22, 8 A.M.)

(No. 196. Secret.)
(Telegraphic.) *Constantinople, October* 21, 1886, 4·45 P.M.

YOUR Lordship's telegram No. 233, Secret, of 19th October.

Mr. Caillard informs me that proposed loan is for 2,000,000*l.*, interest 5 per cent., sinking fund 2 per cent. Security to be Konieh and Adana sheep tax, which produced last year 176,400*l.* Sheep tax to be administered and collected, and the service of the loan to be carried on by the Council of the Administration of the Public Debt; an indispensable condition for any credit being given to Turkey, but for which the unanimous consent of all the foreign Syndicates is necessary. This consent would probably be obtained on the three following conditions:—

The first, demanded by the French, Germans, and Austrians, is the approval by the Porte of the internal regulations of the "Régie," giving it extended powers to deal with contraband.

The second, demanded by French and Germans, is satisfaction to European Junction Railway Company as regards delay on account of *force majeure*, namely, Eastern Roumelian revolution, and as regards Albanian attacks on workmen on Uskup-Vranja Railway.

The third, demanded by English, is repayment of bondholders of 1873 Loan drawn before suspension of 1876 Debt.

Mr. Caillard states that the Ottoman Bank has already £ T. 6,500,000 of bonds now being printed, to bring out on account of old debts, and will therefore be unwilling to have much to do with proposed new loan unless Her Majesty's Government could induce some first-rate financial house to bring it out at a fair rate, say 60.

Mr. Caillard fears that if the negotiations, against which the Russians are fighting, drag on too long, the latter will themselves propose to the Porte to issue a loan without any assistance. The object Russia apparently now has in view is to discredit the Turks and prevent the formation of a circle of European interests here.

Mr. Caillard has written to Rothschild.

I will send further details by post on Saturday.

No. 45.

Mr. Fane to the Earl of Iddesleigh.—(*Received by telegraph, October* 22.)

(No. 522. Ext. 196.)
My Lord, *Therapia, October* 21, 1886.

WITH reference to your Lordship's telegram No. 223 of the 19th instant, I have the honour to inclose herewith a short and preliminary Memorandum furnished to me by Mr. Vincent Caillard, the British Representative in the Administration of the Ottoman Public Debt, respecting the loan of 2,000,000*l.*, which it is true that the Porte is anxious to raise.

The substance of this Memorandum was telegraphed by me to your Lordship to-day.

Mr. Caillard has been good enough to promise me a further and fuller Report on this subject, which I will forward to your Lordship by the first post after I shall have received it

I have, &c.
(Signed) EDMUND FANE

Inclosure in No. 45.

Memorandum by Mr. V. Caillard on the proposed Loan of 2,000,000*l.*

Securities.—Aghnams of Vilayets of Konieh and Adana, which produced last year 176,400*l.* Said Aghnams to be administered and collected, and the service of the loan to be carried on by the Council of Administration of the Ottoman Public Debt.

Russians having nothing to do with the Public Debt, nor influence with the Paris

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Syndicate or Council of Foreign Bondholders, cannot facilitate the issue of this loan, Paris and London being the essential places necessary for credit. But since, in order that the Public Debt may consent to administer the loan (which is an indispensable condition for any credit being given to Turkey), the unanimous consent of all the foreign syndicates* is necessary to the issue of the loan, they can very well hinder it by bringing a contrary influence to bear on one of these, which they have done in Berlin by irritating Bleichröder against the Turks on account of "Régie" and European Junction Railway matters. There is the danger that if the negotiations concerning the loan be allowed to drag on too long, the Russian Government will step in and propose to the Porte to take up the loan themselves with the assistance of no one else.

The foreign Syndicates are willing to aid in bringing out the loan, to a certain extent, on three conditions:—

1. The first, demanded by the French, Germans, and Austrians, is, approval by the Porte of the "Règlement Intérieur" of the "Régie," giving it extended powers to deal with contraband.

2. The second, demanded by the French and Germans, is, satisfaction to be given to the European Junction Railway Construction Company as to delay demanded on account of *force majeure, i.e.*, two revolutions in Eastern Roumelia and continual armed attacks by Albanians on workmen on Uskup-Vranja line.

3. The third demanded by the English is:—

Repayment of bonds of 1873 Loan drawn before suspension of Debt (1876), for which provision had been made, but subsequently illegally withdrawn by the Government.

It is impossible that anything can be done until these three conditions be satisfied: there is every probability that they will be so shortly.

The Imperial Ottoman Bank has already 6½ millions Turkish pounds of bonds (now being printed) to bring out on account of old debts, its own account current (4½ millions), and Galata Floating Debt (2 millions). It will therefore be very unwilling in any case to have much to do with the further loan of 2,000,000*l.*

It is here that the help of the English Government would be *invaluable* to the Porte, by inducing some first-rate financial house such as Rothschild, to whom I have already written on the subject, or Baring's or Goschen's, to bring the loan out at a fair rate, say 60, priority bonds being now at 69. Ottoman Bank would be certain to join under such conditions; moreover, a splendid blow to Russian intrigues here, Russians doing all they can underhand to discredit the Turks, and prevent the formation of a circle of *European* interests here.

Memorandum to follow.

No. 46.

The Earl of Iddesleigh to Sir W. White.

(No. 372.)

Foreign Office, December 2, 1886.

Sir,

I TRANSMIT to your Excellency herewith a correspondence, as marked in the margin† as well as Memoranda and Minutes which have been drawn up in this Office,‡ upon the subject of a proposal emanating from the Colonial Office for the capitalization of the greater portion of the surplus revenue of Cyprus, viz., 80,608*l.*, which amount is now employed in the payment of interest on the Turkish Guaranteed Loan of 1855.

It will be seen that the scheme involves the issue of sufficient 3 per cent. British Government Stock as will suffice to pay off 2,015,200*l.* of the Guaranteed 4 per cent. Loan of 1855, the interest on which capital amount is now defrayed from the Cyprus tribute, and that a further question has been raised in the Minute by Sir James Fergusson whether it would not be advisable to extend the scheme of capitalization to the entire amount of the Cyprus tribute.

I should be glad to receive your Excellency's observations on these papers, and I more particularly invite an expression of your views on the policy of communicating with the Porte on this delicate question, and as to the time and manner of such communication.

* (1) Council of Foreign Bondholders, London; (2) Ottoman Bank Syndicate, Paris; (3) Bleichröder, Berlin; (4) Credit Anstalt Syndicate, Vienna; (5) Chambre de Commerce, Rome.

† Nos. 39, 40, and 41.

‡ See Minutes attached to No. 41.

You will remember that the balance of the surplus revenue not appropriated to the service of the Guaranteed Loan has of late years been retained by the Treasury for sinking fund of that loan, but that the whole of the revenues are pledged under the arrangement of November 1881 for the service of the General Ottoman Debt. Any payments, therefore, to the Porte, unless some special agreement were made with the bondholders, would presumably go to that purpose, without benefiting the Ottoman Treasury.

Upon this point your Excellency might, perhaps, be able to consult Mr. Caillard in strict confidence.

It must be borne in mind that the Porte have never formally consented to the estimate fixing the surplus revenue at 92,800*l.*, having constantly contended that it should properly be fixed at an amount exceeding 100,000*l.*

I am, &c.

(Signed) IDDESLEIGH.

No. 47.

Sir J. Pauncefote to Sir R. Welby.

Foreign Office, December 8, 1886.

Sir,

WITH reference to previous correspondence on the subject of the application of the surplus revenue of Cyprus, I am directed by the Earl of Iddesleigh to transmit to you, to be laid before the Lords Commissioners of the Treasury, a copy of a despatch addressed to Her Majesty's Ambassador at Constantinople, with regard to a proposal which has been in discussion between their Lordships and the Colonial Office, for the capitalization of the greater part of the revenue in question.*

I am, &c.

(Signed) JULIAN PAUNCEFOTE.

No. 48.

Sir J. Pauncefote to Sir R. Herbert.

Foreign Office, December 9, 1886.

Sir,

WITH reference to your letter or the 24th September, I am directed by the Earl of Iddesleigh to transmit to you, to be laid before Mr. Secretary Stanhope, a copy of a despatch which has been addressed to Her Majesty's Ambassador at Constantinople, inviting an expression of his Excellency's views with regard to the proposal for the capitalization of the greater portion of the surplus revenue of Cyprus.*

I am, &c.

(Signed) JULIAN PAUNCEFOTE.